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In The

Supreme Court of the United States

October Term 1995

KAYSER-ROTH CORPORATION,

Petitioner,

v.

SARA LEE CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Petition for Writ of Certiorari

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QUESTIONS PRESENTED

1. Whether a trademark owner can be enjoined from using a generic term in an otherwise non-infringing composite trademark.

2. Whether, under the Lanham Act, a court can limit the use of a federally registered and incontestable trademark.

3. Whether, under this Court's decision in *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985), a court of appeals can reverse a district court's findings of fact without deciding that the factual findings were implausible.

LIST OF PARENT COMPANIES AND NON-WHOLLY OWNED SUBSIDIARIES

Petitioner Kayser-Roth Corporation is owned by Synchro S.A. de C.V. Kayser-Roth Corporation has an interest in KR-AK Realty LLC.

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PETITION FOR WRIT OF CERTIORARI

Kayser-Roth Corporation respectfully petitions this Court to issue a writ of certiorari to review the judgment entered in this action by the United States Court of Appeals for the Fourth Circuit.

OPINIONS BELOW

The opinion of the Fourth Circuit giving rise to this petition is reported at *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455 (4th Cir. 1996), and is reprinted in the appendix ("App.") A-1 through A-33. The opinion of the United States District Court for the Middle District of North Carolina is unpublished and is reprinted at App. A-34 through A-154.

JURISDICTION

The judgment of the United States Court of Appeals for the Fourth Circuit was entered on 17 April 1996. Kayser-Roth's Petition for Rehearing with Suggestion for Rehearing In Banc was denied 24 May 1996, with Judge Widener dissenting. App. A-155.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED IN THE CASE

Pertinent text from the Lanham Act, 15 U.S.C. §§ 1051-1 through 1128, is set out at App. A-156 through A-169.

STATEMENT OF THE CASE

I. Factual Background

Petitioner Kayser-Roth Corporation ("Kayser-Roth") manufactures and sells ladies' hosiery products. Kayser-Roth owns the trademark "LEG LOOKS," registered on the Principal Register of the United States Patent and Trademark Office for ladies' hosiery and pantyhose. The "LEG LOOKS" trademark is incontestable pursuant to section 15 of the Lanham Act, 15 U.S.C. § 1065.

Respondent Sara Lee Corporation ("Sara Lee") is the nation's largest manufacturer and seller of ladies' hosiery products.[1] It owns the trademark "L'eggs," registered for ladies' hosiery and pantyhose. The "L'eggs" mark is a composite of the word "leg" and the word "egg."

Kayser-Roth has sold pantyhose under the "LEG LOOKS" mark since 1977. Since 1983, Kayser-Roth has spent over $12 million advertising its "LEG LOOKS" mark.

Sara Lee has been aware of and has monitored Kayser-Roth's sales of "LEG LOOKS" products for as long as Kayser-Roth has used the mark. For example, Sara Lee regularly tracked the level of sales of all of Kayser-Roth's "LEG LOOKS" products. Sara Lee even conducted a

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[1] Kayser-Roth is Sara Lee's only national competitor and may be best known for its No Nonsense® brand of pantyhose.

strategic study of Kayser-Roth in 1986, focusing a part of the intelligence report on the "LEG LOOKS" brand.

Sara Lee acknowledged Kayser-Roth's ownership of the "LEG LOOKS" mark in a 1991 settlement agreement with Kayser-Roth. The settlement arose from Kayser-Roth's opposition to Sara Lee's trademark application for the mark "LINGERIE LOOKS" for use on pantyhose. To avoid confusion that might arise between Kayser-Roth's trademark "LEG LOOKS" and Sara Lee's mark "LINGERIE LOOKS," Sara Lee agreed that it would add its "L'eggs" mark to the name and always use it prominently, "in direct visual proximity to the words 'LINGERIE LOOKS.'" Sara Lee thus acknowledged that use of its "L'eggs" mark would differentiate its pantyhose from Kayser-Roth products bearing the "LEG LOOKS" mark and thereby prevent confusion.

In 1992, Kayser-Roth launched a new line of spandex pantyhose to compete with Sara Lee's "SHEER ENERGY" line. Kayser-Roth named its new entrant "LEG LOOKS" Invigorating Pantyhose by "NO NONSENSE."

II. Procedural Background

In September 1992, Sara Lee challenged, among other things, the trade dress for Kayser-Roth's "LEG LOOKS" Invigorating Pantyhose by "NO NONSENSE" (the "1992 packaging"). Sara Lee sought preliminary and permanent injunctive relief and monetary damages. Jurisdiction in the District Court was based on 15 U.S.C. § 1121(a) and 28 U.S.C. §§ 1331, 1338, and 1367(a).

Kayser-Roth denied the material allegations in the amended complaint, interposed affirmative defenses, and counterclaimed. After a hearing on Sara Lee's motion for a preliminary injunction, the District Court preliminarily

enjoined Kayser-Roth from using the 1992 packaging. The District Court expressly held, however, that Kayser-Roth was not "prevent[ed] from using the name Leg Looks®." App. A-44.

Kayser-Roth withdrew its 1992 packaging from the market and introduced a new package in 1993 (the "1993 package"). Sara Lee responded by supplementing its amended complaint to allege that the 1993 package infringed not only Sara Lee's "SHEER ENERGY" trade dress, but that it also infringed the "L'eggs" trademark.

Sara Lee's second motion for a preliminary injunction was referred to a magistrate judge. After a ten-day hearing, the magistrate judge recommended that Kayser-Roth be enjoined from using its federally registered and incontestable trademark "LEG LOOKS."

Kayser-Roth objected to the magistrate judge's recommendation. On *de novo* review, the District Court found "that the word 'leg' is generic with respect to pantyhose" and, therefore, held that Kayser-Roth could not be enjoined from using the word "leg." The District Court also found that there was no likelihood of confusion between the "LEG LOOKS" mark and the "L'eggs" mark, that Sara Lee had acquiesced in Kayser-Roth's use of the "LEG LOOKS" mark, and that Sara Lee was guilty of laches. A final judgment dismissing Sara Lee's claims was entered.

The Fourth Circuit reversed. Rejecting the factual findings of the District Court, the Fourth Circuit found that the common word "leg" created a likelihood of confusion between Kayser-Roth's "LEG LOOKS" mark and Sara Lee's "L'eggs" mark arising solely from the word "leg." The Fourth Circuit also found that Sara Lee was not estopped by either laches or acquiescence from asserting its claims. As a result, the Fourth Circuit directed that Kayser-Roth be enjoined from using the "LEG LOOKS" mark in all

channels of trade in which the "L'eggs" mark currently is sold.

REASONS FOR GRANTING THE WRIT

I. The Fourth Circuit's decision creates a conflict among the circuits concerning the use of generic terms in trademarks and eviscerates the principle that generic terms are not subject to trademark protection.

The District Court held "that the word 'leg' is generic with respect to pantyhose." App. A-118. It further found that the word

> [l]eg is . . . an abbreviation of "legwear," one of the generic terms that refers to the genus of apparel of which pantyhose are a part. The word relates, therefore, to the inherent nature of pantyhose generally.

App. A-118. Finding no other significant similarities between the marks "LEG LOOKS" and "L'eggs," the District Court concluded that "because the word 'leg' is generic, it may legally be used as part of an otherwise non-infringing pantyhose trademark." App. A-17.

The Fourth Circuit disagreed and thus prohibited Kayser-Roth from using the generic term "leg" in its composite mark "LEG LOOKS." App. A-17 . The basis of the Fourth Circuit's decision was its finding that consumer confusion between the two marks emanated from the word "leg." Thus, according to the Fourth Circuit, use of the "LEG LOOKS" mark should be enjoined, even if the only

source of confusion was the generic term "leg."[2] The Fourth Circuit, therefore, held as follows:

> where the defendant in an infringement case has elected to use a mark similar to that of a competitor's distinctive mark, and, as a result, has actually confused the public, *our inquiry ends almost as soon as it begins.*

App. A-23 (emphasis added).

The decision of the Fourth Circuit conflicts with decisions of the Second and Third Circuits, as well as the leading scholarship on trademark law, by holding that a finding of likelihood of confusion can be based only on the use of common generic terms. For example, in *Dranoff-Perlstein Ass'n v. Sklar*, 967 F.2d 852 (3d Cir. 1992), the Third Circuit considered whether the owner of the service mark "INJURY-1," used in advertising for plaintiffs' personal injury lawyers, could enjoin use of the service mark "INJURY-9." The district court found the term "INJURY" generic and granted the defendant's motion for summary judgment. The Third Circuit affirmed this finding:

> we hold that personal injury law is properly regarded as its own genus, and that the term "INJURY," as contained in "INJURY-1," is

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[2] The Fourth Circuit's conclusion that there was a likelihood of confusion is contrary to the factual findings of the District Court and represents one of many instances of fact-finding by the Court of Appeals, which is a "depart[ure] from the accepted and usual course of judicial proceedings." Sup. Ct. R. 10(a). The Fourth Circuit's improper treatment of the District Court's factual findings is discussed in Section III, *infra*.

> "so commonly descriptive of the name of the [service] that we should consider it generic." *See [A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 298 (3d Cir. 1986)] . . . . [Plaintiff's] competitors may not be precluded from using the term "INJURY" in their advertising, or even as part of their telephone numbers. *To do so would be to deny competitors the right to call the practice of personal injury law by its name*.

Id. at 860 (emphasis added).

Importantly, the Third Circuit continued its analysis by focusing on the non-generic part of the service mark, reasoning that "any finding of infringement . . . must be based primarily on a likelihood of confusion between the suffixes '1' and '9.'" *Id.* at 861-62.

Similarly, in the present case, after "finding . . . the word 'leg' . . . generic with respect to pantyhose," App. A-118, the District Court focused on whether there was a likelihood of confusion from the non-generic terms of each mark -- "LOOKS" and "eggs." App. A-119 through A-120. Based on its review of the record, the District Court found as a fact that there was no likelihood of confusion.

The decision of the Fourth Circuit also conflicts with the decision of the Second Circuit in *American Cyanamid Corp. v. Connaught Labs. Inc.*, 800 F.2d 306 (2d Cir. 1986). In that case, the Second Circuit held that the owner of the trademark "HIB-IMUNE" could not enjoin use of the trademark "HibVAX." The district court granted the plaintiff's motion for a preliminary injunction and required a recall of all "HibVAX vaccine already shipped." *Id.* at 307. The Second Circuit, however, "reverse[d] and order[ed] the complaint dismissed." *Id.* The Second Circuit explained:

> A trademark holder cannot appropriate generic or descriptive terms for its exclusive use, and a trademark infringement finding thus cannot be based on the use of a generic or descriptive term such as "Hib." . . .
>
> . . . [B]ecause the generic term "Hib" may not be appropriated by [plaintiff] for its exclusive use, any likelihood of confusion between HibVAX and HIB-IMUNE, and any consequent finding of infringement, must be based on a similarity between the suffixes "VAX" and "IMUNE." The very statement of the issue, however, resolves it.

Id., 800 F.2d at 308; *accord Smithkline Beckman Corp. v. Proctor & Gamble Co.*, 591 F. Supp. 1229, 1238 (N.D.N.Y. 1984) (no infringement possible when similar "RIN" ending of both ECOTRIN and ENCAPRIN is a derivative of the generic word "aspirin"), *aff'd mem.*, 755 F.2d 914 (2d Cir. 1985); Restatement (Third) of Unfair Competition § 21 cmt. c (1993) [hereafter Restatement] ("Similarities that are attributable to the use of only unprotected elements will not support a finding of infringement.").[3]

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[3] As one court observed:

> Bethlehem Steel, Goodyear Tire, and Allied Chemical, for example, are unquestionably protectable trademarks. It does not follow that the owners of such marks can prevent competitors in the steel, tire and chemical industries from using the words steel, tire, or chemical as a part of their names.

The analysis employed by the Second and Third Circuits is directly contrary to the analysis of the Fourth Circuit, which, upon finding confusion arising from use of the generic prefix "leg," ended its inquiry "almost as soon as it beg[an]," App. A-23, and refused to analyze the non-generic portions of the marks.

The District Court, in contrast, engaged in the very analysis the Second and Third Circuits had established. After finding the term "leg" generic with respect to pantyhose, the District Court evaluated the likelihood of confusion between the nongeneric parts of the two marks -- "LOOKS" and "eggs." Finding no likelihood of confusion between these terms, the District Court found in favor of Kayser-Roth. App. A-120.

In addition to the legal conflicts it creates, the decision of the Fourth Circuit has far-reaching, adverse implications for the business community. Based on settled trademark law, merchants have long understood that "[a] seller . . . cannot remove a generic term from the public domain and cast upon competitors the burden of using an alternative name." Restatement § 15(1) cmt. b; *accord Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116 (1938) ("Since the term is generic, the original maker of the product acquired no exclusive right to use it."); *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 323 (1872) ("Nor can a generic name . . . be employed as a trademark and the exclusive use of it be entitled to legal protection.").

(..continued)

Expoconsul Int'l Inc. v. A/E Sys., Inc., 755 F. Supp. 1237, 1246 (S.D.N.Y. 1991).

Relying on this important principle, businesses market their products with an understanding that "[g]eneric names are regarded by the law as free for all to use." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 12.01[2] (3d ed. 1992); *see also* Restatement § 15(1) ("A user cannot acquire rights in a generic designation as a trademark . . . .").

The prohibition of trademark rights in generic terms benefits the consuming public by allowing sellers to mark their products effectively and, indeed, to identify the genus of goods, such as products for the leg, with which they might compete. In contrast, the "recognition of trademark rights in generic designations could significantly impede competition in the market for the goods or services denominated by the generic term." Restatement § 15(1) cmt. a.

Under the Fourth Circuit's reasoning in this case, the first user of a term could "effectively preempt competition by claiming that term as its own." *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 305 (3d Cir. 1986). Thus, according to the Fourth Circuit, Pfister and its Pforever Pfaucet® can prevent all other competitors from using the generic term "faucet" in naming their products. This result circumvents the principle of genericness.

In sum, the Fourth Circuit's decision conflicts with the Second and Third Circuits decisions that, on similar facts, prohibit trademark rights in generic terms. The decision also creates uncertainty for the business community by challenging the free use of generic terms in the naming and selling of products. These issues present substantial questions meriting review by this Court.

II. The Fourth Circuit's decision improperly restricts Kayser-Roth's federally registered and incontestable trademark in contravention of the statutory scheme set out in the Lanham Act.

The Fourth Circuit has decided that Kayser-Roth's federally registered and incontestable trademark "LEG LOOKS" can no longer be used on any products "placed in the same channels of distribution as those in which Sara Lee's L'eggs® products are currently sold." App. A-24. The phrase "channels of distribution" was used by the Fourth Circuit to mean retail outlets. The Fourth Circuit, therefore, has limited Kayser-Roth's "LEG LOOKS" mark to certain retail stores in the face of its unlimited federal registration. This ruling departs from the registration scheme of the Lanham Act by denying Kayser-Roth the benefits of its incontestable registration without requiring a showing that any of the statutory exceptions to incontestability exist.

The Lanham Act provides that the registration of the "LEG LOOKS" mark constitutes "prima facie evidence of [its] validity . . . and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate." 15 U.S.C. § 1115(a); *see also* 15 U.S.C. § 1057(b). The incontestable status of "LEG LOOKS" constitutes conclusive evidence of the validity of the mark, subject to any conditions or limitations in the registration. 15 U.S.C. § 1115(b).

Kayser-Roth's federal registration for the trademark "LEG LOOKS" covers the category "hosiery and pantyhose." No limitations or restrictions encumber the "LEG LOOKS" registration. Thus, Kayser-Roth's rights in its "LEG LOOKS" mark are conclusively presumed to be as broad as its registration. These rights thus extend to the sale of hosiery and pantyhose of any type and in any channel of

distribution. *See San Fernando Elec. Mfg. Co. v. JFD Elec. Components Corp.*, 565 F.2d 683, 685 (C.C.P.A. 1977); *see also CBS Inc. v. Morrow*, 708 F.2d 1579, 1581 (Fed. Cir. 1983) (absent specific limitations in a registration, the recited goods are considered to be used in the "normal and usual channels of trade and methods of distribution"); *RE/MAX of Am., Inc. v. Realty Mart, Inc.*, 207 U.S.P.Q. 960, 965 (T.T.A.B. 1980) (registration invokes a prima facie presumption that the "goods or services [recited in the registration] move through all channels of trade suitable for goods and services of that type, and that they reach all purchasers and potential purchasers," regardless of the registrant's business practices at the time of the mark's registration).

When Sara Lee challenged Kayser-Roth's use of the "LEG LOOKS" mark, Kayser-Roth already was using it in the food, drug, and mass merchandising channels of trade. The Fourth Circuit, however, enjoined use of the mark in retail outlets where it already was being used. This decision, excluding a registered mark from channels of trade in which it is being used at the time of the challenge, injects uncertainty into the registration system:

> If, in considering the question of restriction of a registration . . . we were to look to the nature of the use made by the registrant as of the time it sought registration of its mark, as opposed to the time a restriction to the registration is sought, we would be injecting into the trademark registration system a strain of uncertainty. Any normal expansion of commerce, in the form of either a new product formulation or a new trade channel . . . would bring with it the question of whether such

> expansion of trade was protected by the existing registration . . . .

Procter & Gamble Co. v. Sentry Chem. Co., 22 U.S.P.Q.2d 1589, 1593 (T.T.A.B. 1992), *overruled on other grounds*, *Eurostar Inc. v "Euro-Star" Reitmoden GmbH & Co.*, 34 U.S.P.Q.2d 1266 (T.T.A.B. 1994).

As a result of the Fourth Circuit's decision, the owner of an incontestable trademark can never be certain that it is protected if it expands its sales into additional retail outlets, let alone in the general expansion of trade for the goods named in the registration. Under the Fourth Circuit's reasoning, an incontestable trademark, therefore, never constitutes the conclusive evidence of validity as to the goods listed in the registration as was intended by Section 33(b) of the Lanham Act, 15 U.S.C. § 1115(b).

The decision of the Fourth Circuit thus nullifies the presumptions of validity afforded a registered, incontestable mark and undermines the integrity of the registration system. The need to maintain certainty in the Lanham Act registration system presents a substantial federal question of national importance warranting review by this Court.

III. The Fourth Circuit's failure to follow the standard of review articulated in *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985), and its reliance instead on a pre-*Anderson* decision represents a departure from the accepted and usual course of judicial proceedings, warranting exercise of this Court's supervisory powers.

In *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985), this Court set out the appropriate standard for

reviewing factual findings made by a district court sitting without a jury:

> If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the fact-finder's choice between them cannot be clearly erroneous.

Id. at 573-74.

Rather than apply the teachings of *Anderson* the Fourth Circuit applied a more liberal standard of review from a decision pre-dating *Anderson*: "Upon reviewing the district court's finding to the contrary, we cannot help but be left with a 'definite and firm conviction that a mistake has been made.'" App. A-24 (quoting *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1526 (4th Cir. 1984)).[4] Reliance on this principle, without more, was improper:

> [It] plainly does not entitle a reviewing court to reverse the finding of the trier of fact

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[4] It should be noted that *Anderson* came to the Court by writ of certiorari to the United States Court of Appeals for the Fourth Circuit from an opinion written by the Honorable K.K. Hall, who also authored the decision in this case. The Court of Appeals in *Anderson* likewise applied the standard it applied in this case, *see*, *Anderson v. City of Bessemer City*, 717 F.2d 149, 154 (4th Cir. 1983) ("we are 'left with the definite and firm conviction that a mistake has been committed'"), *rev'd*, 470 U.S. 574 (1985).

> simply because it is convinced that it would have decided the case differently.

Anderson, 470 U.S. at 573.

The District Court issued a one hundred-thirty-eight page Memorandum Opinion. It specifically noted that it "ha[d] painstakingly reviewed all of the materials in the record, including thousands of pages of testimony, dozens of packages, and hundreds of documents." App. A-39 (footnote omitted).

Based on its review, the District Court concluded that: (1) Sara Lee had not demonstrated a likelihood of confusion between the marks; (2) Sara Lee was estopped by laches from asserting its claims; and (3) Sara Lee had acquiesced in Kayser-Roth's use of the "LEG LOOKS" mark.

The Fourth Circuit reversed the detailed factual findings of the District Court. As the following examples reveal, the Fourth Circuit simply chose to weigh the evidence differently than did the District Court. This appellate-court fact-finding was wholly improper and warrants the exercise of this Court's supervisory powers to ensure that the federal appellate courts understand the proper scope of review of factual findings of the federal trial courts and comply with the decisions of this Court.[5]

A. The Fourth Circuit substituted its view of the evidence on likelihood of confusion for that of the District Court.

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[5] As the record in this case amply demonstrates, Kayser-Roth devoted considerable "energies and resources on persuading the trial judge that [its] account of the facts [was] the correct one." *Anderson*, 470 U.S. at 575. It should not have been required, as it was here, "to persuade three more judges at the appellate level." *Id.*

The Fourth Circuit engaged in improper fact-finding on the issue of confusion. "The [D]istrict [C]ourt in this case, for some 20 pages, analyzed in detail the evidence of likelihood of confusion." App. A-30 (Widener, J., dissenting). Contrary to the mandate of *Anderson*, the Fourth Circuit merely concluded that the "[District Court] *miscalculated* the likelihood of . . . confusion." App. 10 (emphasis added).

The Fourth Circuit's fact-finding represents such a departure from the accepted and usual course of judicial proceedings that it steps into the realm of speculation: "indeed, we can but wonder how often the experiences related by the trial witnesses have been repeated -- but not reported -- in stores across the country." App. A-21. No factual basis for these musings on the existence of rampant confusion can be found in the opinion, nor does the Fourth Circuit address why the District Court was wrong in its conclusion.

Also, in finding as it did that there was no likelihood of confusion between the trademark "LEG LOOKS" and the trademark "L'eggs," the District Court made the subsidiary finding that "[n]either of [Sara Lee's] surveys is . . . sufficiently reliable . . . to accord the proffered results much weight." App. A-141.[6] The weight to accord this evidence was solely within the discretion of the District Court. The Fourth Circuit, however, found otherwise:

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[6] The District Court found the surveys flawed principally because of "the selection of an inappropriate control." App. A-141. Additional flaws also were noted. App. A-142 through A-144.

> The [D]istrict [C]ourt discounted the survey evidence on the ground that its reliability may have been in question, but even if the true figure were only half of the survey estimate, actual confusion would, in our view, nevertheless exist to a significant degree.

App. A-21 through A-22 (footnote omitted).

The Fourth Circuit offers no explanation to support its guess that actual confusion may be half of the survey results, or for disregarding the District Court's findings. Neither logic nor mathematics, much less appellate procedure, supports the Fourth Circuit's re-weighing of this evidence.

The District Court also found that the parties' marks were dissimilar, with the only commonality between them being use of the generic term "leg." According to the District Court, "the spelling and punctuation of the marks are quite different." App. A-119 through A-120. The Fourth Circuit again found the facts to be to the contrary.

That the Fourth Circuit engaged in independent fact-finding is clear, for it announces that "[w]e now consider briefly the similarity of the two marks . . . ." App. A-19. It was, of course, the province of the District Court, not the Fourth Circuit, to "consider" the evidence and to find the facts.

Far from considering the similarity of the two marks "briefly," the District Court comprehensively reviewed the evidence and discussed its analysis extensively in its Memorandum Opinion. The Fourth Circuit's brief discussion, which covers less than one page of its opinion, does not state why the District Court's evidentiary findings were implausible. Rather, the Fourth Circuit simply reached a different conclusion, based on its perception of the

similarities stemming solely from Kayser-Roth's use of the generic term "leg." This re-weighing of evidence constitutes error, even if the Fourth Circuit were "convinced that it would have decided the case differently." *Anderson*, 470 U.S. at 573.

B. The Fourth Circuit overruled the District Court's factual findings of estoppel by laches and acquiescence.

The District Court found that the relevant product market for purposes of analyzing the defenses of laches and acquiescence was the national retail pantyhose market. App. A-109. Its analysis on this point covers over eight pages of the Memorandum Opinion. App. A-104 through A-110. Determining that Sara Lee knew of Kayser-Roth's use of the "LEG LOOKS" mark during the entire period of its use and monitored its level of sales, App. A-103, the District Court held that Sara Lee's claims were barred by the doctrine of laches.

Without holding the District Court's factual findings regarding the relevant market implausible, the Fourth Circuit substituted its own view of the facts, determining that Sara Lee's conduct did not amount to laches when considered only with respect to the narrower food, drug and mass merchandising ("FDM") channels of trade. App. A-10 through A-11. This conclusion is no more than an improper re-weighing of the evidence concerning the relevant market in which pantyhose are sold.

The District Court also held that Sara Lee had acquiesced in Kayser-Roth's use of the "LEG LOOKS" mark. App. A-102. The District Court reached this conclusion based principally on its construction of a 1991 settlement agreement entered between Sara Lee and Kayser-

Roth concerning Kayser-Roth's opposition to Sara Lee's trademark application for the mark "LINGERIE LOOKS " for pantyhose.

Sara Lee acknowledged in the settlement agreement Kayser-Roth's ownership of the "LEG LOOKS" mark for hosiery and pantyhose. App. A-55. Sara Lee agreed "always to use the mark L'eggs® prominently and 'in direct visual proximity to the words LINGERIE LOOKS' and only in a particular stylized form." App. A-55.

Construing this settlement agreement, the District Court reasoned as follows:

> The parties would not have agreed to [add the mark L'eggs® to the name] if they had thought it would contribute to confusion about the source of their products. The condition supports the inference that neither [Sara Lee] nor [Kayser-Roth] believed that the name "L'eggs® Lingerie Looks" would be confused with the mark LEG LOOKS® despite their sharing of the word "leg."
>
> Less than a year later, [Kayser-Roth] relied on the registered status of the mark LEG LOOKS® when it chose to affix it to its new line of pantyhose. [Kayser-Roth's] reliance was rooted at least in part on [Sara Lee's] unconditional acknowledgment of [Kayser-Roth's] rights in the mark.

App. A-102 through A-103.

Once again, the Fourth Circuit reached a different result based on its own construction of the evidence:

> [I]t is obvious that the 1991 agreement was intended only to govern Sara Lee's future actions in marketing its Lingerie Looks brand; there is nothing in the agreement that can reasonably be construed to immunize Kayser-Roth from liability for all future uses . . . of any of its own marks.

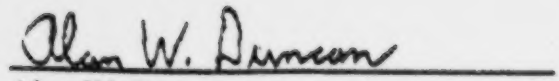
App. A-13. Although the District Court's findings rested on the construction of documentary evidence, the same standard of review is nevertheless applicable. *Anderson*, 470 U.S. at 574.

The Fourth Circuit never addresses why the District Court's assessment of the evidence was implausible. Being "convinced that it would have decided the case differently," *id.* at 573, which was the standard applied by the Fourth Circuit, is an insufficient basis for reversal of a district court's factual findings. *Id.* "Where there are two permissible views of the evidence, the fact-finder's choice between them cannot be clearly erroneous." *Id.* at 574. The standard of review employed by the Fourth Circuit so totally disregards this rule of controlling law that review by this Court is appropriate.

CONCLUSION

For the foregoing reasons, Kayser-Roth prays that this Court grant this petition for certiorari and reverse the judgment below.

This the 22nd day of August, 1996.



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No. _____ OFFICE OF THE CLERK

In The

Supreme Court of the United States

October Term 1995

KAYSER-ROTH CORPORATION,

Petitioner,

v.

SARA LEE CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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PUBLISHED
UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

SARA LEE CORPORATION,
Plaintiff-Appellant,

v.

KAYSER-ROTH CORPORATION,
Defendant-Appellee.

No. 94-2562

Appeal from the United States District Court
for the Middle District of North Carolina, at Winston-Salem.
Frank W. Bullock Jr., Chief District Judge.
(CA-92-460-6)

Argued: May 4, 1995
Decided: April 17, 1996
Entered: April 17, 1996

Before WIDENER, HALL, and WILKINS, Circuit Judges.

Reversed and remanded with instructions by published opinion. Judge Hall wrote the majority opinion, in which Judge Wilkins concurred. Judge Widener wrote a separate dissenting opinion.

COUNSEL

ARGUED: George Lester Little, Jr., Rodrick John Enns, PETREESTOCKTON, L.L.P., Winston-Salem, North Carolina, for Appellant. Alan William Duncan, SMITH, HELMS, MULLISS & MOORE, L.L.P., Greensboro, North Carolina, for Appellee. **ON BRIEF**: Daniel R. Taylor, Jr., J. David Mayberry, PETREE STOCKTON, L.L.P., Winston-Salem, North Carolina, for Appellant. Jonathan A. Berkelhammer, SMITH, HELMS, MULLISS & MOORE, L.L.P., Greensboro, North Carolina, for Appellee.

OPINION

HALL, Circuit Judge:

Sara Lee Corporation appeals the district court's entry of judgment for Kayser-Roth Corporation in Sara Lee's action for trademark infringement. The district court found that Kayser-Roth's use of the mark Leg Looks® on a line of its No nonsense® hosiery products sold in food, drug, and mass merchandising outlets did not infringe on Sara Lee's L'eggs® trademark. Because the court's finding was clearly erroneous, we reverse its judgment and remand the case with directions to enter judgment for Sara Lee. We further instruct the district court to grant Sara Lee's request that Kayser-Roth be permanently enjoined from using its Leg Looks® trademark in a manner that infringes on the L'eggs® mark.

I.

Sara Lee manufactures pantyhose and other hosiery products for retail sale under the Hanes® and L'eggs®

trademarks. Until L'eggs® penetrated the "FDM market"[1] in the early 1970s, women's hosiery was sold only in department stores. Sara Lee's most popular L'eggs® product is its Sheer Energy® line of light support pantyhose, made from nylon and spandex. Sara Lee also manufactures nylon-only products, but its nylon-and-spandex brands account for the largest share of its profits from hosiery sales. Sara Lee dominates the nylon-and-spandex pantyhose market; about three of every four pairs sold are Sheer Energy® products.

Kayser-Roth is Sara Lee's only nationwide competitor. It followed Sara Lee into the FDM market in 1973, when it introduced its No nonsense® line of pantyhose. In contrast to Sara Lee's, Kayser-Roth's sales of nylon-only products far exceed those of its nylon-and-spandex lines.

Over the last twenty-odd years, Kayser-Roth and Sara Lee have spent hundreds of millions of dollars in advertising their hosiery products. As a result, the companies have reaped billions in sales, and both No nonsense® and L'eggs® have become household names.

Sara Lee and Kayser-Roth are intense rivals and frequent court opponents. In early 1992, Kayser-Roth learned of Sara Lee's plan to introduce L'eggs Everyday®, a new line of nylon-only hosiery. Kayser-Roth decided to respond by simultaneously introducing its own new line of nylon-and-spandex hosiery, designed to be priced lower than Sheer Energy®.

The new line required a name. Kayser-Roth had, during the previous summer, applied to the United States Patent and Trademark Office to register the designations "Sheer Vigor" and "Sheer Invigoration." Sara Lee learned of the applications, and it filed the instant suit for declaratory and injunctive relief on July 22, 1992, alleging that Kayser-Roth

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[1] The FDM market is comprised of food, drug, and mass merchandising (Wal-Mart, K-mart, etc.) outlets.

had violated Sections 32 and 43(a) of the Lanham Act, 15 U.S.C. § 1051 et seq.[2]

---

[2] See 15 U.S.C. §§ 1114 and 1125(a). Section 1114 provides that the holder of a registered trademark can pursue certain civil remedies in the district court against

> (1) Any person who shall, without the consent of the registrant--
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such . . . to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.. . .

Akin to § 1114's protection of trademarks, § 1125(a) proscribes encroachments on a product's "trade dress," which is, at the very least, "the total look of a product and its packaging. .. ." 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition,§ 8.01[2] (3d ed. 1995). The statute permits "any person who believes that he or she is likely to be damaged" to file suit against

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact,which--
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or

Kayser-Roth instead marketed its new product as "Leg Looks®," a trademark that it already owned. Undaunted, Sara Lee amended its complaint on September 9, 1992, to assert that the name Leg Looks® infringed on its L'eggs® mark, and that the product's packaging was confusingly similar to the trade dress of its Sheer Energy® line. See note 2, supra. Sara Lee also amended its prayer for relief to request money damages. Kayser-Roth counterclaimed, alleging that Sara Lee had engaged in numerous antitrust violations and in false advertising.

The case was assigned to a magistrate, who recommended that Kayser-Roth be preliminarily enjoined from continuing to sell Leg Looks® as packaged. The district court adopted the magistrate's recommendation; Kayser-Roth thereafter recalled its Leg Looks® products and changed the packaging.[3] Kayser-Roth nevertheless continued to affix the Leg Looks® mark to its new nylon-and-spandex product.

> association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin or his or her or another person's goods, services, or commercial activities . . . .

Sara Lee's initial complaint, as well as the amended version it later filed, see text infra, also alleged that Kayser-Roth's actions violated state laws regarding unfair competition, deceptive trade practices, and trademark dilution.

[3] The Leg Looks® packaging used during the latter portion of 1992 indeed bore a close resemblance to that of the Sheer Energy® line. The foreground and background colors and the size, slant, and font of the primary lettering were very similar. In addition, both packages were styled with thin, slanted, widely spaced lines, giving an appearance reminiscent of sunlight peeking through Venetian blinds that are not quite closed.

On January 11, 1993, Sara Lee moved to supplement its amended complaint to reassert all of its federal and state claims as to the repackaged Leg Looks® product; in March, it once again moved for a preliminary injunction. The magistrate conducted a ten-day hearing on the motion in August 1993. At the conclusion of the hearing, the parties and the district court agreed, inter alia, that (1) Sara Lee would waive all claims for money damages, (2) Sara Lee's remaining claims for equitable relief would be bifurcated from Kayser-Roth's counterclaims, and (3) the just-concluded hearing would be treated as a trial on the merits of Sara Lee's equitable claims, with the matter referred to the magistrate for decision, subject to de novo review by the district court.[4]

On November 30, 1993, the magistrate issued a report and recommendation; he advised the district court to enter judgment for Sara Lee on all claims. The magistrate recommended that Kayser-Roth be permanently enjoined from using its Leg Looks® trademark in the FDM market.[5]

Kayser-Roth objected to the magistrate's report and recommendation. The district court examined the record anew,

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The redesigned packages, introduced in early 1993, have eliminated the lettering and styling similarities. A white, shimmering silhouette of a leg in the kneeling position, dissolving just above the knee, has been emplaced against a black, rectangular field, which is itself centered on a brightly colored background (it appears to be an industry practice that the dominant package color varies within the line itself, depending on the particular product). The No nonsense® trademark and the words "invigorating pantyhose" appear more prominently on the new packaging.

[4] Sara Lee's initial claims regarding Kayser-Roth's attempted registration of the Sheer Vigor and Sheer Invigoration trademarks were dismissed without prejudice by the consent of the parties on July 14, 1993.

[5] The magistrate recommended against enjoining Kayser-Roth from using its Leg Looks® mark in department store outlets where it had been used prior to June 1, 1992. See Section III-A, infra.

and, on October 13, 1994, filed an opinion that adopted many of the magistrate's underlying findings, yet disagreed with his conclusions.

The court found, as an initial matter, that Sara Lee's federal trademark claim was foreclosed by the doctrines of laches and acquiescence; it further determined that, even if Sara Lee's trademark claim were not equitably barred, Kayser-Roth's use of the Leg Looks® mark did not violate the Lanham Act. The court likewise saw no merit in Sara Lee's claim that Kayser-Roth's marketing of Leg Looks® in the redesigned package infringed on the trade dress of Sara Lee's Sheer Energy® products.[6] Consequently, the district court entered judgment for Kayser-Roth on all of Sara Lee's claims. Sara Lee appeals.

II.

Although trademark law is imbued with numerous idiosyncracies, the standard governing our review of the district court's findings of fact in a trademark case is familiar. Generally speaking, we may set aside such findings only if they are clearly erroneous, Fed. R. Civ. P. 52(a); Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1526 (4th Cir.1984). However, we owe no deference to the district court's findings if they are derived as a result of the court's misapplication of the law. Pizzeria Uno at 1526.

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[6] The district court concluded that its findings in favor of Kayser-Roth on the federal trademark and trade dress claims were dispositive of Sara Lee's unfair competition and deceptive trade practice claims under state law. Lastly, the court held that North Carolina did not recognize the tort of trademark dilution.

III.

We must address at the threshold the district court's findings that Sara Lee slept on its rights or, alternatively, that it acquiesced to Kayser-Roth's current use of the Leg Looks® mark.

A.

During the 1980s, Kayser-Roth used the Leg Looks® mark on a line of "fashion" nylon-only hosiery products in competition with Sara Lee's Hanes® line; after peaking in 1985, sales of Leg Looks® dropped precipitously throughout the remainder of the decade. In their original incarnation, Leg Looks® products were available only in upscale department stores. No L'eggs® products have ever been sold in such outlets.

From the outset, the Hanes® division kept its corporate master fully apprised of Kayser-Roth's marketing of Leg Looks®; nonetheless, Sara Lee has not challenged Kayser-Roth's use of the Leg Looks® mark until now. The question before us is whether, as Kayser-Roth asserts, "now" is too late.

In a trademark case, courts may apply the doctrine of estoppel by laches to deny relief to a plaintiff who, though having knowledge of an infringement, has, to the detriment of the defendant, unreasonably delayed in seeking redress. See 4 J.. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 31.02 (3d ed. 1995) [hereinafter McCarthy] ("Estoppel by laches [is] defined as that type of delay in filing suit which causes prejudice to defendant and when weighed with all other relevant equitable factors, results in a bar to

relief, either injunctive or monetary, or both.") (citation and internal quotation marks omitted).[7]

However, the doctrine is sparingly applied where, as here, a plaintiff seeks only equitable relief. See id. at§ 31.03[3][b] (reviewing cases);[8] see also Skippy, Inc. v. CPC Int'l, Inc., 674 F.2d 209, 212 (4th Cir.) ("While the availability of laches as a defense to claims for injunctive relief may be

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[7] In determining whether laches may operate as a defense to an infringement claim, a court should ordinarily consider (1) whether the owner of the trademark knew of the infringing use, (2) whether the owner's delay in challenging the infringement of the mark was inexcusable or unreasonable, and (3) whether the infringing user has been unduly rejudiced by the owner's delay. Brittingham v. Jenkins, 914 F.2d 447, 456 (4th Cir. 1990).

[8] According to Professor McCarthy, cases involving the denial of injunctive relief usually present one or more aggravating factors, causing the balance of the equities (which has, at that point, favored the defendant by virtue of the delay-and-prejudice analysis) to shift even further to the defendant's advantage. These factors include (1) delay during which the mark passed into usage as a generic name, (2) a grossly long period of delay, (3) dubious proof of likelihood of confusion, (4) doubt as to the plaintiff's title to the mark, (5) prior business dealings between the parties that result in the plaintiff impliedly consenting to the defendant's infringement, and (6) the defendant's good-faith development of a specific territorial area.

We encountered the fifth of the above factors in Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, Inc., 165 F.2d 693 (4th Cir. 1947), cert. denied, 333 U.S. 882 (1948). In Ambrosia, the chocolate company's sales representative tried to sell the bakery certain ingredients to be used in the manufacture of the latter's cakes. Afterward, the chocolatier's vice-president sent a letter to the bakery, urging that the two companies transact business and noting "that the name 'Ambrosia' of your company was the same as ours increased our interest, you may be sure." Id. at 694. Eight years later, the chocolate company finally became interested enough to file suit seeking to enjoin the bakery from further use of the "Ambrosia" trademark. The district court dismissed the complaint, and we affirmed, holding, inter alia, that the suit was barred by "laches, acquiescence, and estoppel. . . ." Id.

limited . . . laches will bar a claim for damages for bad faith infringement.") (citations omitted), cert. denied, 459 U.S. 969 (1982). Moreover, in consideration of the public interest, estoppel by laches may not be invoked to deny injunctive relief if it is apparent that the infringing use is likely to cause confusion. 4 McCarthy at § 31.04[1]; see University of Pittsburgh v. Champion Products, Inc., 686 F.2d 1040, 1044 (3d Cir.) ("Because laches is an equitable doctrine, its application is inextricably bound up with the nature and quality of the plaintiff's claim on the merits relevant to a prospective injunction."), cert. denied, 459 U.S. 1087 (1982).

In finding that Sara Lee was estopped by laches from asserting its infringement claim, the district court failed to consider the relative unavailability of that defense to preclude injunctive relief. In addition, the court did not consider the public interest in avoiding confusion between the L'eggs® and Leg Looks® trademarks, undoubtedly because, as discussed in Section IV, infra, it miscalculated the likelihood of that confusion. Because the district court either overlooked or misapplied the law governing estoppel by laches, we are constrained to set aside its finding that the doctrine operates to bar the instant suit. See Section II, supra.

We also note that the district court considered, but failed to fully appreciate, the conundrum with which Sara Lee was presented when Kayser-Roth expanded the use of its Leg Looks® mark to the FDM market. Because L'eggs® hosiery was, then as now, sold exclusively in FDM outlets, it is doubtful that Sara Lee could have proved that its product would likely be confused with Kayser-Roth's. Of course, the likelihood of confusion is the "keystone of infringement." 3 McCarthy § 23.01; see 15 U.S.C. §§ 1114(1), 1125(a)(1), note 2 supra. Indeed, to the extent that a plaintiff's prior knowledge may give rise to the defense of estoppel by laches, such knowledge must be of a pre-existing, infringing use of a mark. See note 7, supra (Brittingham analysis assumes the existence

of an infringement for an extended period prior to the commencement of litigation).

The estoppel-by-laches defense arises only where the plaintiff has unreasonably delayed its pursuit of a remedy. See Brittingham, 914 F.2d at 456, and note 7, supra. From the time that Kayser-Roth first introduced its Leg Looks® products, Sara Lee has been on the horns of a dilemma:

> If [the trademark owner] waits for substantial injury and evidence of actual confusion, it may be faced with a laches defense. If it rushes immediately into litigation, it may have little or no evidence of actual confusion and real commercial damage, may appear at a psychological disadvantage as "shooting from the hip" and may even face a counterclaim for overly aggressive use of litigation.

4 McCarthy § 31.06[2][c]. We agree with Professor McCarthy that the owner "has no obligation to sue until `the likelihood of confusion looms large.'" Id. at § 31.06[2][a] (quoting Johanna Farms, Inc. v. Citrus Bowl, Inc., 468 F. Supp. 866, 881 (E.D.N.Y. 1978)). Sara Lee, by waiting for Kayser-Roth to expand its use of the Leg Looks® mark to the FDM market, chose to delay its pursuit of a remedy until its right to protection had clearly ripened. Under the circumstances, we adjudge its actions to have been entirely reasonable; the district court clearly erred in finding otherwise.

B.

Likewise, the district court's finding that Sara Lee acquiesced in Kayser-Roth's use of the Leg Looks® mark in the FDM market is clearly erroneous. The basis for the court's decision was a written agreement between the parties executed on April 30, 1991, in settlement of a dispute over Sara Lee's

application with the U.S. Patent and Trademark Office to register "Lingerie Looks" as a trademark for pantyhose. In the document's preface, the parties acknowledged that Kayser-Roth already owned the registered trademarks Leg Looks®, Career Looks®, Designer Looks®, and Silky Looks®; the substance of the agreement addressed how Sara Lee's Lingerie Looks products would be packaged and advertised to minimize any infringement on Kayser-Roth's rights.

An infringement action may be barred by the doctrine of estoppel by acquiescence where the owner of the trademark, by conveying to the defendant through affirmative word or deed, expressly or impliedly consents to the infringement. See 4 McCarthy § 31.14[1]; Sweetheart Plastics, Inc. v. Detroit Forming, Inc., 743 F.2d 1039, 1046 (4th Cir. 1984). Although the doctrines of acquiescence and laches, in the context of trademark law, both connote consent by the owner to an infringing use of his mark, acquiescence implies active consent, while laches implies a merely passive consent. 4 McCarthy at § 31.14[1]; see Sweetheart Plastics at 1046.[9]

Sara Lee's entry into the 1991 settlement agreement with Kayser-Roth was, no doubt, an affirmative act. However, just as a preexisting infringement is a prerequisite to the estoppel-by-laches defense, see Section III-A, supra, estoppel by acquiescence requires that the trademark owner knowingly consent -- albeit actively -- to the defendant's infringing use of the mark. As we discussed in the preceding section, it was by no means clear until 1992 that Sara Lee could adduce persuasive evidence of a likelihood of confusion between its L'eggs® trademark and Kayser-Roth's Leg Looks® mark.

---

[9] Thus, as we implied in Sweetheart Plastics at 1046, our decision in Ambrosia, see note 8, supra, is most accurately classified as an illustration of the estoppel by acquiescence doctrine, even though the Ambrosia court invoked the doctrine of estoppel by laches as an alternative ground for its holding.

In any event, it is obvious that the 1991 agreement was intended only to govern Sara Lee's future actions in marketing its Lingerie Looks brand; there is nothing in the agreement that can reasonably be construed to immunize Kayser-Roth from liability for all future uses -- especially infringing uses -- of any of its own marks. Moreover, even if Kayser-Roth's estoppel-by-acquiescence defense were valid, public policy dictates that -- like the doctrine of estoppel by laches -- it not be rigidly applied in cases like this one, where the likelihood of confusion is apparent. See Section III-A, supra; 4 McCarthy § 31.14[1] ("The defense of laches is trumped by a strong showing of likely confusion of the public. Similarly, a strong showing of a likelihood of confusion can trump even a proven case of acquiescence by the senior user to the junior user's usage. . . .").

Accordingly, we reject Kayser-Roth's equitable defenses to the instant suit, and we move on to address the merits of Sara Lee's claims.

IV.

We may grant injunctive relief to the owner of a registered trademark whose rights to the mark have been infringed on by another's use of a copy or colorable imitation that is "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C.§ 1114(1); Pizzeria Uno, 747 F.2d at 1527; see also Perini Corp. v. Perini Constr., Inc., 915 F.2d 121, 127 (4th Cir. 1990) ("The ultimate question, for purposes of determining liability in trademark infringement actions, is whether there exists a likelihood that an appreciable number of ordinarily prudent purchasers will be misled, or indeed simply confused, as to the source of the goods in question.") (citations and internal quotation marks omitted). The test is likelihood of confusion; evidence of actual confusion is unnecessary. Pizzeria Uno at 1527.

To ascertain the likelihood of confusion between two trademarks, we consider a number of factors. These factors include:

(1) the distinctiveness of the senior mark;

(2) the similarity of the two marks;

(3) the similarity of the goods or services that the marks identify;

(4) the similarity of the facilities employed by the parties to transact their business;

(5) the similarity of the advertising used by the parties;

(6) the defendant's intent in adopting the same or similar mark; and

(7) actual confusion.

Pizzeria Uno at 1527. Certain factors may not be germane to every situation; moreover, though several factors are simultaneously present, some factors may, depending on the case, be more important than others. Id.; see Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316, 320 (4th Cir.) (the Pizzeria Uno factors are not meant to be a rigid formula for infringement; they are "only a guide -- a catalog of various considerations that may be relevant in determining the ultimate statutory question of likelihood of confusion."), cert. denied, 113 S. Ct. 206 (1992). Indeed, we have distilled other factors that may be considered relevant to analyzing the likelihood of confusion, such as (8) the quality of the defendant's product, Perini at 127, and (9) the sophistication of the consuming public. Id.; see Dayton Progress Corp. v. Lane

Punch Corp., 917 F.2d 836, 839-40 (4th Cir. 1990). We will consider each factor in turn.

A. The Distinctiveness of the Senior Mark

1. Legal Background

The protection accorded trademarks is directly related to the mark's distinctiveness. "Fanciful," "arbitrary," and "suggestive" marks are inherently distinctive, and thus receive the greatest protection against infringement. 1 McCarthy § 11.01[1]. Fanciful marks are, in essence, made-up words expressly coined for serving as a trademark. Some examples of fanciful marks are Clorox®, Kodak®, Polaroid®, and Exxon® . Id. at § 11.03[4].

Arbitrary marks are comprised of words in common usage, but, because they do not suggest or describe any quality, ingredient, or characteristic of the goods they serve, are said to have been arbitrarily assigned. Examples include Tea Rose® flour, Camel® cigarettes, and Apple® computers. Id. at§ 11.04[3]. Though tea rose, camel, and apple are -- unlike Clorox® and Kodak® -- words denoting "real" things, they are similar to fanciful marks in that they neither suggest any mental image of the associated product nor describe it in any way.

Suggestive marks connote, without describing, some quality, ingredient, or characteristic of the product. Coppertone®, Orange Crush®, and Playboy® are good examples of suggestive marks because they conjure images of the associated products. Id. at § 11.23. These marks are nevertheless not descriptive; although they are meant to project a favorable or idealistic image with which a prospective user might identify, a person without actual knowledge would have difficulty in ascertaining the nature of the products that the marks represent.

In contrast to fanciful, arbitrary, or suggestive marks, there are marks that are not inherently distinctive. For instance, certain marks merely describe a function, use, characteristic, size, or intended purpose of the product. Examples of such "descriptive" marks include After Tan post-tanning lotion, 5 Minute glue, King Size men's clothing, and the Yellow Pages telephone directory. Id. at § 11.08. Marks that are merely descriptive are accorded protection only if they have acquired a "secondary meaning, "that is, if" in the minds of the public, the primary significance of a product feature or term is to identify source of the product rather than the product itself." Dayton Progress at 839 (quoting Inwood Laboratories v. Ives Laboratories, 456 U.S. 844, 851 n.11 (1982)). Coca-Cola® is probably the paradigm of a descriptive mark that has acquired a secondary meaning.

"Generic" terms are the common name of a product or service itself, and can never be trademarks. Perini at 124.[10] Examples of brand names held to be generic terms are Convenient Store retail stores, Dry Ice solid carbon dioxide, Light Beer ale-type beverages, and, in a case where a once-fanciful mark had, over time, been assimilated into the language, Thermos vacuum-insulated bottles. 2 McCarthy § 12.03 (citation omitted).

2. The L'eggs® mark

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[10] A mark is generic if it "denominate[s] a type, kind, genus or subcategory of goods." Dayton Progress at 839 (quoting G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 873 F.2d 985, 997 (7th Cir. 1989)). In other words, a generic term "identifies the general nature of an article." Dayton Progress at 839 (citation and internal quotation marks omitted).

A term may also be generic if it names a "distinctive characteristic of that genus of products." 2 McCarthy § 12.02[5]. For example, the term "Matchbox" was held to be generic because that genus of toy vehicles were sold in matchbox-sized boxes.

The L'eggs® mark was conceived in the midst of Sara Lee's endeavor to discover new ways to manufacture, package, and market women's hosiery. The company's efforts have paid off; by developing a line of nylon-and-spandex hosiery, packaging its products in the now-famous egg-shaped containers,[11] and cultivating a new market in which to sell its goods, Sara Lee has amassed handsome profits.

But what, exactly, does L'eggs® mean? The district court decided that L'eggs® was a contraction for "leg eggs." It then focused on what it considered to be the "weaker" element of the mark (leg), which, of course, is also an intrinsic part of Kayser-Roth's Leg Looks® mark, and almost certainly the source of any confusion between the two.

Citing the rule that a term may be generic if it names a distinctive characteristic of the genus to which the product belongs, see note 10, supra, the court concluded that, because all pantyhose have legs, the word "leg" is generic insofar as it pertains to pantyhose. The court alternatively found that "leg" is generic because it is an abbreviation of "legwear" or "leggings," terms that refer to the genus of apparel to which pantyhose belong. According to the district court, because the word "leg" is generic, it may legally be used as part of an otherwise non-infringing pantyhose trademark.

We disagree. The district court failed to appreciate that the mark at issue is neither "leg eggs" nor "legs," but L'eggs®, a word that represents a singular concept associated with -- but very different from -- pantyhose. Although the mark may not be wholly fanciful (because it is phonetically identical to a common word) or arbitrary (because it is not actually a "real" word), it is unquestionably suggestive, and therefore a strong, distinctive mark. L'eggs® conjures favorable images of

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[11] Since 1991, Sara Lee has curtailed its packaging of L'eggs® products in plastic eggs in favor of more "environmentally friendly" cardboard boxes. Nonetheless, the new packaging retains the egg silhouette.

attractive legs or legginess, and, by subtly reminding consumers of its famous egg packaging design, reinforces the association between the product and its source -- a sure sign of a mark entitled to protection.[12]

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[12] See, e.g., Metro Publishing, Ltd. v. San Jose Mercury News, 987 F.2d 637, 640 (9th Cir. 1993) (a likelihood of confusion exists when consumers "are likely to assume that a product or service is associated with a source other than its actual source because of similarities between the two sources' marks or marketing techniques.") (citations and internal quotation marks omitted). It stands to reason that a mark which elucidates, to an unusual degree, the source of a product serves the public interest and should be preserved. That is precisely why merely descriptive marks are accorded trademark protection upon acquiring a secondary meaning. See discussion in Section IV-A(1), supra.

As for the district court's alternative finding, we note simply that L'eggs® does not denominate a type or genus of goods, nor does it name a distinctive characteristic of pantyhose in general. See note 10, supra. A different case would be presented if the mark at issue were "Pantyhose" or "Stockings" (type or genus), or "Nylons" (characteristic).

Our conclusion that the L'eggs® mark is distinctive is further bolstered by the Patent and Trademark Office's registration of the L'eggs® trademark without requiring any proof of the mark's having acquired a secondary meaning. See Pizzeria Uno at 1529:

> The significance of registration without proof of secondary meaning . . . is that the Patent and Trademark Office has "concluded" that the mark or figure was not merely descriptive but suggestive[,] and this essential fact . . . must be considered prima facie correct by a court in considering the validity of a trademark. . .[.] [R]egistration . . . constitutes not only a determination. . . that the term or word is suggestive but also operates to provide prima facie evidence of the registrant's right to use the mark, endowing it with a strong presumption of validity. (citations and internal quotation marks omitted).

Of course, if L'eggs® were indeed a generic term, it could not legally be registered as a trademark. The inescapable conclusion is that either the Patent and Trademark Office or the district court has made a mistake; we are convinced that it was the latter.

B. The "Similarity" Factors

We now consider briefly the similarity of the two marks, of the goods the marks identify, of the facilities employed to transact the parties' business,[13] and of the advertising used by the parties.

L'eggs® and Leg Looks® , although not identical, are perceived similarly by the eye and ear. Whether being written or spoken, L'eggs® and the first syllable of Leg Looks® are quite similar. Moreover, Leg Looks'® first syllable stands alone, emphasizing its similarity to L'eggs®.

There can be little argument as to the similarity of the goods that the two marks represent (both are associated with women's hosiery), the facilities that the parties employ to transact business (both L'eggs® and Leg Looks® are distributed in the FDM market, often side-by-side), or the advertising used by Sara Lee and Kayser-Roth (both employ similar media and target the same consumers). Regarding these three factors, there is no substantial difference between the parties that would serve to ameliorate any confusion of their marks.

C. The Defendant's Intent

As we stated in Pizzeria Uno:

> The intent of the defendant is sometimes a major factor in infringement cases. If there is intent to confuse the buying public, this is strong evidence establishing likelihood of confusion, since one intending to profit from another's reputation generally attempts to make

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[13] This factor has also been expressed as the "proximity" of the products. Perini at 127.

> his signs, advertisements, etc., to resemble the other's so as deliberately to induce confusion.

Id. at 1535. In other words, we presume that the person who sets out to infringe on another's trademark has more brains than scruples, and will likely succeed. Cf. Osem Food Indus. Ltd. v. Sherwood Foods, Inc., 917 F.2d 161, 165 (4th Cir. 1990):

> When a newcomer to the market copies a competitor's trade dress, its intent must be to benefit from the goodwill of the competitor's customers by getting them to believe that the new product is either the same, or originates from the same source as the product whose trade dress was copied. Logic requires . . . that from such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion.

In his memorandum opinion, the magistrate concluded that Kayser-Roth intended to infringe on Sara Lee's trademark, pointing to considerable circumstantial evidence in the record supporting a strong inference that, when Kayser-Roth resuscitated its Leg Looks® line, it expressly intended to take advantage of the mark's similarity to L'eggs® to siphon sales of Sara Lee's products.[14] The district court, however, found

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[14] The magistrate cited testimony that one of Kayser-Roth's vice-presidents directed the company's New Products Group to design packaging for its new line that differed from its other No nonsense® products. The resultant trade dress was so close to that of Sheer Energy® products that the magistrate -- with the approval of the district court -- enjoined its use. See Section I, supra. The same vice-president rejected the Group's recommendation that the new line be called "Active Sensations," insisting instead on the Leg Looks® name. The magistrate also noted that Kayser-Roth initially spent relatively little money to promote Leg Looks®.

that Kayser-Roth had acted in good faith -- a finding that we may disturb only if it is clearly erroneous. Because we would reach the same result in this case regardless of Kayser-Roth's intent, reviewing the district court's disposition of this complex issue would serve no purpose; we thus decline to do so.

D. Actual Confusion

The record is replete with anecdotal evidence of consumers throughout the nation confusing the L'eggs® and Leg Looks® marks. Six women -- most of whom usually bought L'eggs® pantyhose -- testified that they had purchased (or, in one case, nearly purchased) a Leg Looks® product under the mistaken impression that it was instead a L'eggs® product. Sara Lee's service merchandisers told the magistrate of many occasions where consumers had approached them in stores, uncertain of the origin of Leg Looks®.

The service merchandisers also told of massive confusion by store personnel. Included in the record are photographs of in-store advertisements and circulars promoting, variously, "L'eggs Looks," "Legg Looks," and "L'eggs Look" pantyhose.

The anecdotal evidence, standing alone, is nearly overwhelming; indeed, we can but wonder how often the experiences related by the trial witnesses have been repeated -- but not reported -- in stores across the country. Nevertheless, Sara Lee produced additional evidence in the form of surveys that it had conducted, indicating that approximately thirty to forty percent of the consuming public was confused by the similarity of the L'eggs® and Leg Looks® marks. The district

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In addition, Kayser-Roth evidently accelerated its marketing of Leg Looks® to coincide with Sara Lee's introduction of L'eggs® Everyday. Perhaps most tellingly, there is evidence in the record suggesting that certain Kayser-Roth employees may have purged computer files relating to the development of the Leg Looks® repackaging.

court discounted the survey evidence on the ground that its reliability may have been in question, but even if the true figure were only half of the survey estimate, actual confusion would, in our view, nevertheless exist to a significant degree.[15]

E. The Quality of the Defendant's Product & the Sophistication of the Consuming Public

The two remaining factors, announced in Perini, probably apply with less frequency than the previous seven. Consideration of the quality of the defendant's product is most appropriate in situations involving the production of cheap copies or knockoffs of a competitor's trademark-protected goods. If a defendant markets a product under a mark similar to that affixed by a competitor to a commodity of like nature but superior manufacture, that the defendant's product is markedly inferior is likely to be highly probative of its reliance on the similarity of the two marks to generate undeserved sales.

Barring an unusual case, buyer sophistication will only be a key factor when the relevant market is not the public at-large. If the typical consumer in the relevant market is sophisticated in the use of -- or possesses an expertise regarding -- a particular product, such sophistication or expertise may be pertinent in determining the likelihood of

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[15] We may infer from the case law that survey evidence clearly favors the defendant when it demonstrates a level of confusion much below ten percent. See Henri's Food Products Co., Inc. v. Kraft, Inc., 717 F.2d 352, 358 (7th Cir. 1983). In that case, the court of appeals cited several cases holding that survey evidence indicating ten to twelve percent confusion was sufficient to demonstrate actual confusion. The court, however, concluded that the 7.6% confusion level before it "weighs against infringement." See also Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 400 (8th Cir. 1987) (survey evidence showing confusion level of between ten and eleven percent sufficient to demonstrate actual confusion), cert. denied, 488 U.S. 933 (1988).

confusion. Perini at 127-28. The relative sophistication of the market may trump the presence or absence of any other factor. See id. at 128:

> The plaintiff claims that lack of consideration of consumer sophistication does not preclude a finding of infringement when every other factor indicates a likelihood of confusion. Yet, we hold that in a market with extremely sophisticated buyers, the likelihood of consumer confusion cannot be presumed on the basis of the similarity in trade name alone ....

We need not here concern ourselves, however, with either of the two "Perini factors." There is no assertion in the instant proceeding that Kayser-Roth's product is substantially inferior to Sara Lee's, or that persons who buy pantyhose are any more sophisticated about that product than those who comprise the market for other ordinary retail goods.

F. "The Big Picture"

We have previously acknowledged that the distinctiveness of the senior user's mark is "the first and paramount factor" in determining the likelihood of confusion. Pizzeria Uno at 1527. If the strength of the senior mark is the alpha of infringement analysis, then evidence of actual confusion is surely the omega; where the defendant in an infringement case has elected to use a mark similar to that of a competitor's distinctive mark, and, as a result, has actually confused the public, our inquiry ends almost as soon as it begins.

Even if most of the other factors did not indicate-- as they do in this case -- a strong likelihood of confusion, the strength of the L'eggs® mark in conjunction with the solid evidence of actual confusion compels us to conclude that

Kayser-Roth's current use of its Leg Looks® mark is an infringing one.[16] Upon reviewing the district court's finding to the contrary, we cannot help but be left with a "definite and firm conviction that a mistake has been made." Pizzeria Uno at 1526. The court's finding is clearly erroneous; we are thus constrained to overturn it.

V.

The judgment of the district court is reversed, and the case is remanded for it to enter judgment for Sara Lee. We further instruct the district court to enter an order permanently enjoining Kayser-Roth from affixing the Leg Looks® trademark to any of its products placed in the same channels of distribution as those in which Sara Lee's L'eggs® products are currently sold.

REVERSED AND REMANDED WITH INSTRUCTIONS

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[16] Sara Lee has suggested that the use of an infringing mark on product packaging, standing alone, also constitutes a trade dress violation. We have scrutinized Professor McCarthy's treatise as it pertains to trade dress, see note 2, supra, and can find no support for this argument. The magistrate cited M. Kramer Mfg. Co., Inc. v. Andrews, 783 F.2d 421, 427 (4th Cir 1986), as holding that "the brand name is part of the trade dress," Magis. Op. at 119, but we read the cited portion of that case to say only that the plaintiff alleged that the defendant's copying of the brand name violated Section 1125(a).

In any event, because Sara Lee's trade dress claim remains alive only insofar as it might serve as an alternative basis for enjoining Kayser-Roth's further infringing use of the Leg Looks® mark, our grant of injunctive relief on the ground of trademark infringement effectively moots the trade dress issue. Moreover, our holding in Sara Lee's favor on its primary federal claim renders it unnecessary for us to address its supplemental state law claims; even were Sara Lee to also prevail on its other theories, it would not be entitled to any further relief.

WIDENER, Circuit Judge, dissenting:

I respectfully dissent.

The district court denied Sara Lee's request to enjoin Kayser-Roth from using the trademark LEG LOOKS pantyhose in the food, drug, and mass merchandise market. The judgment of the district court was supported by many findings of fact, one of which was based on a contract of settlement between Sara Lee and Kayser-Roth in 1991. Because of that finding of fact, but also otherwise supported, the district court found that Sara Lee had acquiesced in Kayser-Roth's use of the LEG LOOKS mark.

The majority concludes that this finding is clearly erroneous because "the 1991 agreement was intended only to govern Sara Lee's future actions in marketing its LINGERIE LOOKS brand." Slip op. at 11.

The agreement in question appears at A.2871 and grew out of Sara Lee's attempt to register the trademark LINGERIE LOOKS in International Class 25. Kayser-Roth objected on the basis that that mark infringed on its registered mark LEG LOOKS and other marks such as Career Looks, Designer Looks and Silky Looks. Sara Lee agreed to comply with specific marketing and advertising practices, in particular that its LINGERIE LOOKS mark would always be used with and have added to it the L'EGGS trademark so that L'EGGS LINGERIE LOOKS would be the dominant trademark usage of Sara Lee. The agreement contained no market restrictions. The district court found that each party remained free to use its respective mark, LEG LOOKS by Kayser-Roth, and L'EGGS LINGERIE LOOKS, by Sara Lee. It found that in the agreement Sara Lee expressly acknowledged Kayser-Roth's ownership of the registration for the LEG LOOKS mark and that such acknowledgement "supports the inference that [Sara Lee] recognized and consented to Defendant's [Kayser-Roth's] entitlement to the whole range of rights legally afforded by

such ownership." The district court found that Sara Lee would not have agreed to L'eggs LINGERIE LOOKS by Sara Lee if it thought it would be confused with LEG LOOKS, despite the sharing of the word leg.

The district court found the relevant market to be the national retail pantyhose market and that food, drug, and mass merchandise stores are some of the many outlets used by both parties to distribute pantyhose products in the national market. Sara Lee registered the L'eggs trademark in 1973 for use on ladies' hosiery and pantyhose in International Class 25. Kayser-Roth registered the LEG LOOKS trademark in 1983 for use on ladies' hosiery and pantyhose in International Class 25. The district court reviewed Kayser-Roth's registration of LEG LOOKS and found no limitation to a particular composition or style. It further found that registration of a trademark bestows upon its owner a presumption that the "goods or services will move through all channels of trade suitable for goods or services of that type, and that they reach all purchasers and potential purchasers of them," quoting RE/MAX of America, Inc. v. Realty Mart, Inc., 207 U.S.P.Q. 960, 965 (T.T.A.B. 1980). The district court concluded that Kayser-Roth's registration of LEG LOOKS, which had become incontestible to the extent provided by 15 U.S.C. § 1065, established the presumption that it could distribute pantyhose under the LEG LOOKS mark through all channels suitable for the registered classification. It then found that department stores, mass merchandising stores, off-price outlets, food stores, and drug stores were all such suitable outlets and that both parties had marketed pantyhose in the national pantyhose market, including the food, drug, and mass merchandise market, since the 1970's.

The majority, by confining its reasoning to the food, drug, and mass merchandising market, has not taken into account many or even most of the findings of fact I have just related. Especially, it has not taken into account the district court's finding of fact that:

> Given the functional interchangeability of pantyhose, Plaintiff's successful marketing of L'eggs pantyhose through FDM stores rather than department stores, and defendant's current success with its pricing strategy, it would be unrealistic and flatly incorrect to find that low-cost pantyhose and high-priced pantyhose do not compete in the same market. Cf. Brown Shoe Co., 370 U.S. at 326 (refusal to divide theshoe market according to "price/quality" distinctions). The court, therefore, finds that the relevant market in this case is, and has always been, the national retail pantyhose market.

That error, and the incorrect finding as clearly erroneous of the district court's finding of acquiescence, are two essential weaknesses in the majority opinion.

I am of opinion that the district court's findings of fact are plausible and supported by the evidence. "If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous." Anderson v. Bessemer City, 470 U.S. 564, 573-74 (1985).

I would affirm the district court's finding that Sara Lee had acquiesced in the defendant's use of the mark LEG LOOKS.

I would also affirm its finding of relevant market.

II

I also do not agree with the majority's view that anecdotal evidence of confusion and likelihood of confusion in this case is "massive" and "nearly overwhelming" and its

conclusion that the district court did not consider, or miscalculated the likelihood of, consumer confusion. Confusion or likelihood of confusion is a question of fact not to be disturbed unless clearly erroneous. 3 J. Thomas McCarthy, Trademarks and Unfair Competition § 23.22 (1995). The district court discussed the relevant evidence in detail and gave specific reasons for crediting or discrediting anecdotal evidence, market studies, and expert testimony offered by both parties. This discussion, in fact, occupies 20 pages of the appendix (A.5331-5351).

The district court divided its discussion of the likelihood of confusion into five categories and its conclusion. The categories were (1) strength of the SHEER ENERGY trade dress; (2) similarity of the packages; (3) defendant's intent; (4) similarity of the goods, sales facilities, and advertising; and (5) evidence of actual confusion. The majority opinion takes little or no issue with any of the district court's discussion or fact finding except that with respect to actual confusion, as is illustrated on page 18-19 of the slip opinion, in the part labeled "D. Actual Confusion." on which its holding is based.

The district court, in its consideration of evidence of actual confusion, listed as sub-categories: A. Consumers, B. Store Personnel, C. Misshelving and Misspelling, and D. Mail Intercept Surveys. The majority opinion discusses little or no evidence relevant to these categories and considered by the district court in detail, but bases its decision on the fact that it disagrees with the district court on the weight to be given the survey evidence and the effect to be given the anecdotal evidence. Slip op. at 18-19.

For example, included in the evidence considered by the district court, but not by the majority, is the following:

> As of the August 1993 hearing, Kayser-Roth had sold over 3.5 million 1993 packages, yet only four consumers testified at the hearing to

having bought the 1993 package, believing it contained L'eggs pantyhose, and only one of those believed it contained SHEER ENERGY pantyhose.

The largest proportion of anecdotal evidence of confusion came from plaintiffs' sales merchandisers rather than store personnel, and even with that, plaintiff's employees gave evidence of only 25 encounters with store personnel who asked plaintiffs' employees about the 1993 package.

Between the introduction of the 1993 package and the August 1993 hearing, Sara Lee's sales merchandisers had made at least 800,000 store visits. Even if only 1/4 of those 800,000 visits had coincided with a display of the 1993 package, those 25 encounters would have occurred on barely more than 1/100 of 1% of the visits.

The evidence about misshelving or misspelling came from Sara Lee's employees and included no explanation from those responsible for the errors. Since Kayser-Roth's pantyhose were almost always shelved near Sara Lee's, the district court did not consider a few clerical errors by unidentified store personnel or outside advertisers demonstrative of actual confusion.

With respect to the survey evidence of Sara Lee, the district court did not "accord the proffered results much weight" because of "the selection of an inappropriate controller by Sara

> Lee." The district court also discounted Sara Lee's surveys because "they insufficiently emulated market conditions." Rather than take issue with that district court finding as to the weight of the evidence, the majority merely cut the result in half and used that arbitrary half-figure in coming to its conclusion.

The majority opinion does not take into account that the district court accorded more weight to Kayser-Roth's survey evidence than it did to Sara Lee's because it had come closer to emulating market conditions and controlling for the effect of color on packages.

The district court in this case, for some 20 pages, analyzed in detail the evidence of likelihood of confusion. The majority dismisses that analysis in one page with little analysis of the same evidence. Slip op. at 18-19. In my opinion, the majority opinion does not state a sufficient basis for its conclusion that the district court's findings were clearly erroneous. Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 857-58 (1982), stated that "[a]n appellate court cannot substitute its interpretation of the evidence for that of the trial court simply because the reviewing court might give the facts another construction, resolve the ambiguities differently, and find a more sinister cast to actions which the District Court apparently deemed innocent." (Internal quotation omitted.) Yet, I suggest that is just what the majority has done in this case.

III

Whether or not the findings of fact of the district court I have referred to above are clearly erroneous, and even if the findings of fact of the majority are not clearly erroneous, in my opinion the majority erred when it sequestered the use of the word "leg" in connection with the sale and advertising of

pantyhose in the food, drug, and mass merchandise market and gave that exclusive use to Sara Lee.

On page 15 of the slip opinion, the holding of the majority is disclosed.

> According to the district court, because the word"leg" is generic, it may legally be used as part of an otherwise non-infringing pantyhose trademark.
>
> We disagree. The district court failed to appreciate that the mark at issue is neither "leg eggs" nor "legs" but L'eggs®, a word that represents a singular concept associated with--but very different from--pantyhose. Although the mark may not be wholly fanciful (because it is phonetically identical to a common word) or arbitrary (because it is not actually a "real" word), it is unquestionably suggestive, and therefore a strong, distinctive mark. L'eggs® conjures favorable images of attractive legs or legginess, and, by subtly reminding consumers of its famous egg packaging design, reinforces the association between the product and its source--a sure sign of a mark entitled to protection. (Italics added.)

Thus the majority holds that the word "leg" may not legally be used as part of an otherwise non-infringing pantyhose trademark in connection with the advertising or sale of pantyhose. I suggest that it is simply not possible to advertise or sell pantyhose without the use of the word "leg" and that the decision of the majority, that the use of the word "leg" in connection with the advertising and sale of pantyhose, is the exclusive right of Sara Lee, is error.

In remarkably similar circumstances, the Third Circuit held, in A.J. Canfield Co. v. Honickman, 808 F.2d 291 (3d Cir. 1986), that "chocolate fudge," as used in the name of a drink called "Diet Chocolate Fudge Soda," was generic and was "available to all potential competitors." 808 F.2d at 308. The court reasoned that ". . . if a term is necessary to describe a product characteristic that a competitor has a right to copy, a producer may not effectively preempt competition by claiming that term as its own." 808 F.2d at 305.

Along the same line, the Seventh Circuit, in Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75 (7th Cir.1977), cert. denied, 434 U.S. 1025 (1978), decided that "Light" is a generic or common descriptive term when used with beer. 561 F.2d at 80. In that case, Miller had the registered mark of "LITE" and had sued Heileman, which had incorporated the word "light" in its sales and advertising. Of course, Miller's suit failed. And the court stated that "[a] generic or common descriptive term is one which is commonly used as the name or description of a kind of goods. It cannot become a trademark under any circumstances." 561 F.2d at 79. The Heileman case was followed in Miller Brewing Co. v. Falstaff Brewing Corp., 655 F.2d 5 (1st Cir. 1981), which held that Miller was estopped by Heileman from prosecuting the same kind of a suit against Falstaff. The court relied on the reasoning of Judge Friendly in two cases for the rule which, in my opinion, should be followed here and is as follows:

> "No matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name." Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d

> Cir. 1976). "The reason is plain enough. To allow trademark protection for generic terms, i.e. terms which describe the genus of goods being sold, even when these have been identified with a first user, would grant the owner of the mark a monopoly since a competitor could not describe his goods as what they are." CES Publishing Corp. v. St. Regis Publications, Inc., 531 F.2d 11, 13 (2d Cir.1975).

655 F.2d at 8.

I would conclude that the word "leg" is no less generic than the words "chocolate fudge," as used in connection with diet soda, or the word "light," as used with beer. I suggest again that this holding of the majority is error, regardless of whether or not the facts as found by the district court are clearly erroneous. Advertising and selling pantyhose without using the word "leg" just seems to me to be impossible.

IV

In sum, I am of opinion that the majority erred when it decided, either implicitly or expressly, that the holdings of the district court were clearly erroneous with respect to acquiescence, relevant market, and confusion. Absent the fact findings of the majority, which were contrary to those of the district court, the decision of the majority can not stand.

Even considering for argument, however, that the fact findings of the majority were correct, its holding that the word "leg" is not a generic term is erroneous, I think, and also for that reason, the decision of the majority can not stand.

I would affirm.

SARA LEE CORPORATION,
Plaintiff,

v.

KAYSER-ROTH CORPORATION,
Defendant.

CIVIL NO. 6:92CV00460

UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON - SALEM DIVISION

October 13, 1994, Decided
October 13, 1994, FILED,
October 13, 1994, ENTERED

MEMORANDUM OPINION

BULLOCK, District Judge

I. INTRODUCTION

II. FINDINGS OF FACT

A. History of the Case
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      a. The Parties and the Trademarks
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B. History of the Marks and Original Packaging
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a. The Marks L'eggs® and SHEER ENERGY®
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C. Pantyhose Purchasing in FDM Stores

D. Defendant's LEG LOOKS® Lines of Pantyhose and Other "Leg" Marks
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I. INTRODUCTION

The recommendation of the United States Magistrate Judge ganting injunctive elief to the Plaintiff in this complex trademark/trade dress case following a ten-day evidentiary hearing is before the court for review pursuant to 28 U.S.C. § 636 and through agreement of the parties. Also before the court are Defendant's comprehensive objections to the recommendation. The objections merit thorough consideration because it is the court's duty to make a de novo determination of those portions of the recommendation to which objection is made. 28 U.S.C. § 636(b)(1). Such

determination includes a discussion of the factual and legal bases for the court's action with regard to the recommendation. Cf. Camby v. Davis, 718 F.2d 198 (4th Cir. 1983) (absent objection, no explanation is necessary for adoption of a magistrate's recommendation).

Both the magistrate judge and Plaintiff put great emphasis on the findings recommended and the order entered on December 1, 1992, regarding Defendant's LEG LOOKS® INVIGORATING PANTYHOSE By No nonsense® package on the market at that time ("1992 Package"). The sole issue then before the court was whether a preliminary injunction should be entered against that package. While the court was satisfied that it should, the entry of the preliminary injunction cannot be equated with a final finding of success. The court issued an order "in accord with the overall substance" of the magistrate judge's recommended findings of fact and conclusions of law but considered those findings and conclusions for purposes of that order only. (Order and Prelim. Inj., filed Dec.1, 1992.) They were not binding on the parties whose rights the injunction merely preserved pending a final determination. See Wetzel v. Edwards, 635 F.2d 283, 286 (4th Cir. 1980); Meiselman v. Paramount Film Distrib. Corp., 180 F.2d 94, 97 (4th Cir. 1950); Poe v. Charlotte Memorial Hosp., Inc., 374 F. Supp. 1302, 1312 (W.D.N.C. 1974). Neither are those findings and conclusions binding on the court as it decides Plaintiff's claims on their merits. See University of Texas v. Camenisch, 451 U.S. 390, 394-95, 68 L. Ed. 2d 175, 101 S. Ct. 1830 (1980).

The court has painstakingly reviewed all of the materials in the record, including thousands of pages of testimony, dozens of packages, and hundreds of documents. [1] Having made an independent assessment of the material

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[1] It is now apparent to the court that a final determination of the issues in this case would have been reached more quickly had the matter proceeded to a full trial before a district judge.

facts and legal arguments in this case, the court will issue its own findings rather than setting forth with commentary the various portions of the magistrate judge's recommendation.

II. FINDINGS OF FACT

A. History of the Case

1. The Parties, the Trademarks, the Market

a. The Parties and the Trademarks

1. A major manufacturer of pantyhose sold to consumers, Plaintiff[2] is a Maryland corporation with a principal place of business in Winston-Salem, North Carolina.

2. Plaintiff owns federal trademark registration No. 891,626, issued in 1970, for the trademark L'EGGS for use on ladies' hosiery and pantyhose.[3] Hereafter, the mark will be referred to in the form in which it appears on Plaintiff's products, with an upper-case "L" and lower-case "e-g-g-s," i.e., "L'eggs®." See Fig. 1(a).

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[2] "Plaintiff" is used herein to refer collectively to Sara Lee Corporation as well as its predecessors in interest with respect to the L'eggs® line of products, which include Hanes Corporation.

[3] The use of a trademark as a house mark or a trade name does not render inaccurate its designation as a trademark. Whether a registered mark is used as a trademark, house mark, or trade name, the same fundamental principles of law protect against its appropriation. See 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 9.01[1] (3d ed. 1992). The court will refer to a name or a phrase listed on the Principal Register of the United States Patent and Trademark Office as a "mark."

3. Plaintiff also owns federal registration No. 978,180, issued in 1974, for the trademark SHEER ENERGY for use on ladies' hosiery and pantyhose. Hereinafter, the mark will be referred to in the form in which it appears on Plaintiff's products, with upper-case letters, i.e., "SHEER ENERGY®." See Fig. 4.

4. Both marks have become incontestable to the extent provided by 15 U.S.C. § 1065, are well recognized by consumers, and are substantially associated with one source.

5. A major manufacturer of pantyhose sold to consumers, Defendant[4] is a Delaware corporation with a principal place of business in Greensboro, North Carolina.

6. Defendant owns federal registration No. 974,045, issued in 1973, for the trademark NO NONSENSE for use on ladies' hosiery and pantyhose. Hereafter, the mark will be referred to in the form in which it appears on Defendant's products, with an upper-case initial "N" and lower-case letters thereafter, i.e., "No nonsense®." See Figs. 5(a) & 5(b).

7. Defendant also owns federal registration No. 1,247,116 for the trademark LEG LOOKS, for use on hosiery and pantyhose, issued in 1983, with a recorded first use of the mark in commerce in August 1977. Hereafter, the mark will be referred to in the form in which it appears on Defendant's products, with all upper-case letters, i.e., "LEG LOOKS®." See Figs. 2(a) & 2(b).

8. Both marks have become incontestible to the extent provided by 15 U.S.C. § 1065. The mark No

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[4] "Defendant" is used herein to refer collectively to Kayser-Roth Corporation as well as its predecessors in interest with respect to its pantyhose products, which include Burlington Hosiery, Inc.

nonsense® is well recognized by consumers and substantially associated with one source.

b. The Market

9. Plaintiff and Defendant both make and sell pantyhose nationally to members of the general consuming public.

10. Pantyhose cover the legs with sheer knitted fabric. They may be made of nylon or a combination of nylon and spandex,[5] but, regardless of their composition, pantyhose are functionally interchangeable, competitive products.

11. Both Plaintiff and Defendant advertise their pantyhose nationally through a wide variety of media including newspapers, magazines, radio, and television.

12. Both Plaintiff and Defendant distribute pantyhose through a wide variety of retail outlets including department stores, mass merchandising stores,[6] supermarkets, groceries, convenience stores, pharmacies and drug chains.

13. In the hosiery and marketing industries, mass merchandising stores, supermarkets, groceries, convenience stores, pharmacies and drug chains are sometimes referred to collectively as "food, drug, and

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[5] In the pleadings, pantyhose having 100 per cent nylon legs have been referred to as "nylon" pantyhose, and pantyhose having some percentage of spandex in the leg have been referred to as "spandex" pantyhose. The legs of the so-called "spandex" pantyhose at the focus of this case are actually seventy-nine, eighty, or eighty-one per cent nylon.

[6] Stores commonly considered to be "mass merchandising stores" are those large establishments selling a wide variety of goods at low prices, for example, Wal-Mart.

mass merchandising"("FDM") outlets or colloquially as "the FDM market."

14. FDM stores are, however, simply some of the many outlets used to distribute goods in the national retail pantyhose market, in which Plaintiff and Defendant are major competitors.

2. The Original Complaint

15. In July 1992, Plaintiff filed a complaint challenging Defendant's application for trademark registration of the names "SHEER INVIGORATION" and "SHEER VIGOR." That claim has been dismissed.

3. The Amended Complaint

16. In September 1992, Plaintiff amended its complaint to include claims of trademark infringement, false designation of origin and false description, unfair competition, and unfair trade practices based on allegations that the mark LEG LOOKS® affixed to women's hosiery sold "to the same classes of consumers through the same channels of trade" as L'eggs® pantyhose were also sold--i.e., FDM stores--infringed on the mark L'eggs®, and that Defendant's 1992 Package infringed on Plaintiff's SHEER ENERGY® trade dress. (Pl.'s Am. Compl. at 20, filed Sept. 9, 1992).

17. Plaintiff asked the court, inter alia, to enjoin Defendant from "any and all further imitation and use of the L'EGGS SHEER ENERGY trade dress or the designation 'Leg Looks' as herein alleged." (Id. at 25).

4. The 1992 Preliminary Injunction

18. In October 1992 Plaintiff sought a preliminary injunction against the 1992 Package but did not

bring the use of the mark LEG LOOKS® per se before the court during the 1992 preliminary injunction proceedings.[7]

19. After hearings were held and a recommendation made by the magistrate judge, the court entered an order preliminarily enjoining Defendant from marketing its LEG LOOKS® pantyhose in the 1992 package or "in a package which would likely confuse consumers" as to the origin of the product and from using specified packaging elements "in a combination confusingly similar" to Plaintiff's SHEER ENERGY® packaging. (Order and Prelim. Inj., filed Dec. 1, 1992).

20. The order did not, however, prevent Defendant "from using the name 'Leg Looks', or boxes of the same size, weight and shape as the current 'Leg Looks' packaging, or the colors blue, green, and orange to denote the style of pantyhose . . . , provided the packaging as a whole [was] differentiated in general appearance from Plaintiff's [SHEER ENERGY®] packaging and from [the 1992 Package]." (Id.).

5. The 1993 Supplemental Complaint

21. Without conceding that the 1992 Package could properly be permanently enjoined, Defendant withdrew the 1992 Packages from the market. Defendant has informed the court that it will not use the 1992 Package again under any circumstances.

22. After the withdrawal of the 1992 Package, which cost Defendant approximately $ 2.5 million, Defendant reintroduced its pantyhose in a new package ("1993 Package").

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[7] Exhibits presented during the 1992 preliminary injunction proceedings will be identified as exhibits from "Prelim. Inj. I."

23. In January 1993, Plaintiff moved to supplement its complaint to assert that the 1993 Package, featuring the mark LEG LOOKS®, infringes on the trademark L'eggs®, imitates the SHEER ENERGY® trade dress, and constitutes false designation of origin and false description, and that Defendant's marketing of the package constitutes unfair competition, unfair trade practices, and trademark dilution.

24. In its supplemental complaint, Plaintiff continued to seek an injunction against any further use of the mark LEG LOOKS® and any further imitation and use of the SHEER ENERGY® trade dress, damages, and attorneys' fees.

6. The 1993 Preliminary Injunction Hearing and Recommendation

25. In March 1993, Plaintiff moved for a preliminary injunction against the marketing in FDM stores of any hosiery product under the name LEG LOOKS®, the marketing of hosiery products in the 1993 Package, or any other use of the name LEG LOOKS® or any LEG LOOKS® package in a manner that would create a likelihood of customer confusion with L'eggs® products.

26. In August 1993, the magistrate judge conducted a ten-day hearing on the motion.[8]

27. At the conclusion of the hearing, the parties agreed, and the court concurred, to the waiver of Plaintiff's damage claims, the bifurcation of Plaintiff's remaining equitable claims from Defendant's counterclaims, the conversion of the hearing into a trial on the merits of all Plaintiff's equitable claims, and the referral of the claims to

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[8] Exhibits presented during the 1993 preliminary injunction proceedings will be identified as exhibits from "Prelim. Inj. II."

the magistrate judge for a recommendation, with de novo review by the court.[9]

28. On November 30, 1993, the magistrate judge issued his recommendation that Plaintiff's request for a permanent injunction be granted.

B. History of the Marks and Original Packaging

1. Plaintiff's L'eggs® SHEER ENERGY® Line of Pantyhose

a. The Marks L'eggs® and SHEER ENERGY®

29. On Plaintiff's SHEER ENERGY® pantyhose packages the product name reads as "L'eggs® SHEER ENERGY® Pantyhose."

30. The mark L'eggs® combines the words "leg" and "egg."

31. Plaintiff's promotion of the mark L'eggs® has always emphasized the egg. The most recent incarnation of the mark includes an egg outline rising above the mark. See Fig. 1(c).

32. Definitions of the word "leg" include "1: a limb of an animal used esp. for supporting the body and for walking . . . 3a: the part of an article of clothing that

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[9] The parties dispute whether Plaintiff's waiver of its claims for damages included a waiver of its claim for attorney fees. Under the Lanham Act, only the prevailing party in an "exceptional case[ ]" may be awarded attorney fees. 15 U.S.C. § 1117(a). Exceptional cases include those in which an infringer's actions were "'malicious, fraudulent, deliberate and willful.'" Scotch Whisky Ass'n v. Majestic Distilling Co., 958 F.2d 594, 599 (4th Cir. 1992) (quoting S. Rep. No. 1400, 93rd Cong., 2d Sess., reprinted in 1974 U.S.C.C.A.N. 7132, 7136). As Plaintiff is not the prevailing party and this is not an exceptional case, the court does not reach the issue of waiver.

covers the leg." Webster's Ninth New Collegiate Dictionary 682 (1989).

33. The word "leg," therefore, identifies both the most significant parts of a pair of pantyhose and the place where pantyhose are worn by all but a fraction of pantyhose purchasers.[10]

34. The word "leg" is also the root of the generic term "legwear," the class of apparel to which pantyhose belong.

b. Packaging and Marketing the SHEER ENERGY® Line

35. In the early 1970's, Plaintiff started selling pantyhose under the mark L'eggs® in FDM stores. According to Plaintiff, they were the first "high quality branded" pantyhose to be sold in those stores rather than in department stores. (Prelim. Inj. I Tr. Vol. I at 49, filed Nov. 5, 1992).

36. Plaintiff obtained national distribution of L'eggs® pantyhose in 1974 and has since continued to distribute L'eggs® pantyhose throughout each state in the United States.

37. Plaintiff has affixed the mark L'eggs® to pantyhose of a variety of colors, compositions, and constructions or styles.[11]

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[10] Pantyhose purchasers who rob banks or undergo certain hair treatments may wear their pantyhose on their heads, but the court is confident that such purchasers are relatively rare and almost certainly brand indifferent.

[11] The term "composition" as used here refers to the combination of nylon or spandex in the yarn from which the pantyhose are made. The terms "constructions" or "styles" as used here refers to the method of reinforced weaving of a particular style of pantyhose, for example, in Plaintiff's terminology, "all sheer," "reinforced toe," or "control top."

38. Plaintiff first packaged L'eggs® pantyhose in a plastic egg resting in a paperboard cylinder 3 inches in diameter. That package is one of America's most famous.

39. In 1973, Plaintiff introduced SHEER ENERGY® pantyhose, which have legs that are twenty per cent spandex and come in sizes designated "A," "B," and "Q."

40. From 1973 to 1991, the only one-pair package of SHEER ENERGY® pantyhose available at retail was the plastic egg. The egg motif remains prominent in Plaintiff's SHEER ENERGY® packaging. Every SHEER ENERGY® package in evidence displays an egg in some form.

41. Plaintiff used silver eggs with silver cylinders and green lettering for "all sheer" SHEER ENERGY® pantyhose, silver eggs with silver cylinders and blue lettering for "reinforced toe" SHEER ENERGY® pantyhose, and medium blue or "teal" eggs with teal cylinders and white lettering for "control top" SHEER ENERGY® pantyhose.

42. The SHEER ENERGY® logo on the egg packages' cylinders slants upward from left to right, as do the thin lines that were added in the late 1980's.

43. On the bottom of the egg cylinders, a one-size chart displays in two columns the heights and corresponding weights for only the size of the pantyhose in that package.

44. In 1991, Plaintiff introduced new one-pair SHEER ENERGY® packages: paperboard boxes approximately 3-1/2 inches high, 3 inches wide, and 2-3/8 inches deep, with elliptical or egg-shaped tops, slanting logo, and slanting stripes. The color-coding of styles on those packages is the same as on the plastic egg packages.

45. According to Michael Wahl of the Howard Marlboro Group, who has been a marketing

consultant to Plaintiff, the new one-pair packages were designed to be more environmentally sound, to save money, to facilitate automation, and, above all, to "make the shopping experience easier." Michael Wahl, In Store Marketing 182 (1992) (Prelim. Inj. II Def.'s Ex. 96).

46. Since the late 1980's, Plaintiff has also sold SHEER ENERGY® pantyhose in two-pair economy boxes: rectangular paperboard boxes approximately 4 inches high, 3 inches wide, and 3-1/2 inches deep.

47. Over the years, Plaintiff has used at least twelve different two-pair SHEER ENERGY® economy boxes. (Prelim. Inj. I. Pl.'s Exs. 4 & 8; Prelim. Inj. II Pl.'s Exs. 12-13, 15-20, 22, 24).

48. In focus in this case are two of those twelve packages: the silver-grey and green "all sheer" economy box (Prelim. Inj. I Pl.'s Ex. 8) and the silver-grey and blue "reinforced toe" economy box (Prelim. Inj. I Pl.'s Ex. 4). See Fig. 4.

49. Those silver-grey economy boxes share with the other economy boxes their name and logo, their size, and some depiction of an egg-shaped or egg-topped package that in turn incorporates the color silver, slanted lettering, and thin slanting lines common to those one-pair SHEER ENERGY® packages. On each end of those two boxes is displayed a silhouette of an egg-shaped package.

50. On both the silver-grey economy boxes and the egg-topped boxes a three-size shaded grid with multiple columns displays the height and weight correspondences for all three sizes. This kind of three-size shaded grid is common on pantyhose packaging.

51. According to Wahl, Plaintiff's senior management, "the gatekeepers of the brand image that is so strongly represented by the egg," established maximum limits on the number of economy package facings that could

be displayed in conjunction with the "real egg" package. Wahl, supra, at 181.

52. The photographs in evidence show that the SHEER ENERGY® economy boxes generally occupy space on only the top one or two shelves of Plaintiff's racks.

53. Currently, at least in eastern states, the plastic eggs, egg-topped boxes, and economy boxes may all be found in stores where L'eggs® pantyhose are sold.

54. In addition to SHEER ENERGY®, Plaintiff sells in FDM stores a number of lines or sub-brands of pantyhose under the mark L'eggs®. They include L'eggs® Regular, L'eggs® Control Top, L'eggs® Sheer to Waist, L'eggs® Knee Highs, L'eggs® CLASSICS®, L'eggs® ACTIVE SUPPORT®, L'eggs® SheerElegance®, Sheer Elegance® Silken Mist® Pantyhose by L'eggs®, Sheer Elegance® Silky Support® Pantyhose by L'eggs®, Sheer Elegance® Thigh Highs by L'eggs®, Winter L'eggs®, and Summer L'eggs®.

55. According to Plaintiff's market research, consumers identify the name "L'eggs" with the sub-brand L'eggs® Regular, and consumers of SHEER ENERGY® pantyhose usually refer to the product they buy as "SHEER ENERGY®." (Prelim. Inj. II Def.'s Ex. 257 at 03318).

56. Plaintiff's sales of SHEER ENERGY® pantyhose have been in excess of $2.5 billion. Over $ 100 million worth, or five per cent, of SHEER ENERGY® pantyhose have been packaged in economy boxes.

57. Plaintiff has spent over $ 280 million in advertising SHEER ENERGY® pantyhose. There is no evidence, however, of any promotional expenditures exclusively directed to or featuring any SHEER ENERGY® economy box.

2. Defendant's No nonsense® Lines of Pantyhose

58. Defendant also began selling pantyhose in FDM stores in the early 1970's, shortly after Plaintiff, using the mark No nonsense®.

59. Defendant primarily sold products called "No nonsense® Regular pantyhose,"[12] "No nonsense® Sheer to waist pantyhose," and "No nonsense® Control top pantyhose," all of which have 100% nylon legs.

60. Since the 1970's, Defendant's No nonsense® Regular packages have been red, No nonsense® Sheer to waist packages orange, and No nonsense® Control top packages green. Both pouches and boxes have been colored this way.

61. Since the 1970's, Defendant also has sold other lines of pantyhose, including a line introduced as "No nonsense® Comfort Stride®" and later called "No nonsense® Light Support" that has some spandex in the legs.

62. Since the 1970's, Defendant's Comfort Stride® or Light Support packages have been silver and blue.

63. Defendant has always sold No nonsense® brand pantyhose in one-pair plastic pouches 5 inches square.

64. Since 1985, two years before Plaintiff introduced its first economy box, Defendant has also used two-pair economy boxes approximately 4 inches high, 4-1/2 inches wide, and 2 inches deep that are colored like the pouches.

55. Defendant has traditionally used the size designations "petite to medium," "medium to tall," and

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[12] "Regular" is the name Defendant uses for its nylon pantyhose that have a waist of medium-weight construction, neither as sheer as "Sheer to waist" nor as heavily reinforced as "Control top." The court has before it an astounding variety of pantyhose, and will strive to refrain from calling any "regular," as in "common" or "usual."

"queen" on its No nonsense pantyhose packages and has presented size information in a one-size, two-column chart. Since 1990, Defendant has also sometimes used "A," "B," and "Q" size designations.

66. In addition to its No nonsense® Regular, No nonsense® Control Top, No nonsense® Sheer to waist, and No nonsense® Light Support pantyhose, Defendant sells in FDM stores other lines or sub-brands of pantyhose under the mark No nonsense®. Those other lines or sub-brands include No nonsense® SHEER & SILKY, No nonsense® DRESS SHEER & SILKY, No nonsense® FASHION COLOR, and No nonsense® GREAT SHAPES pantyhose.

67. According to Plaintiff's market research, as it may seem to consumers that there are "millions of eggs on a L'eggs display," the consistently colored No nonsense® packages "really stand out in the minds of . . . [No nonsense®] base brand buyers" and help them find the pantyhose they are looking for. (Prelim. Inj. II Def.'s Ex. 129 at 3.00849).

68. Defendant has spent over $ 855 million in advertising the mark No nonsense®.

C. Pantyhose Purchasing in FDM Stores

69. In FDM stores, both parties' pantyhose are displayed together in fixed "hosiery centers," unified configurations of shelf or rack space. Originally designed for Plaintiff's products, the centers are sometimes referred to in the trade as the "L'eggs Category Management System." See Wahl, supra, at App.

70. Nearly all of the pantyhose displayed in any hosiery center are made by either Plaintiff or Defendant. Of those that are not, none are as widely distributed as Plaintiff's or Defendant's.

71. The racks have sloping shelves that display pantyhose packages in neat lines. When a package at the front of the rack is removed, gravity feeds the row of packages down to fill the vacated space. Wahl, supra, at 180.

72. Signs on panels above the racks indicate which section of the center is meant for which brands or lines of pantyhose.

73. Both parties also deliver and display their pantyhose packages in separate cardboard cases called "shippers," which indicate on the front and sides whether they contain L'eggs® or No nonsense® hosiery.

74. Both parties' pantyhose also may be stocked on spinners, free-standing units with two or more sides of shelving that can be turned as customers look at the products.

75. While some spinners are marked exclusively for either Plaintiff's or Defendant's pantyhose, K-Mart stores display spinners on the ends of which alternate both "L'eggs®" and "No nonsense®." (See, e.g., Prelim. Inj. II Def.'s Exs. 374-A-2 & 374-A-5).

76. According to sales merchandisers, both parties' pantyhose may properly be displayed on the same K-Mart spinner but not on the same side of the same spinner.

77. A consumer planning to buy pantyhose she has bought before will go to the section of the hosiery rack where those pantyhose are stocked, look for packages of the color associated with her usual style of pantyhose, and then read the color and size designators on those packages to find the packages containing the pantyhose she wants. Selecting a package in this way may take ten or twenty seconds.

78. While most pantyhose purchases are made in this manner, many are not. Promotional sales, for example, are often made to consumers who decide to buy

only after they catch sight of the product in a store and notice its low cost.

79. Brand-name recognition is an important factor in pantyhose purchasing, especially when a new or low-cost product is introduced.

80. No matter how she chooses which brand she will buy, when selecting pantyhose the average pantyhose buyer must read the package to identify the style, color, and size of the pantyhose in the package.

D. Defendant's LEG LOOKS® Lines of Pantyhose and Other "Leg" Marks

1. Packaging and Marketing the LEG LOOKS® Lines

81. Since at least 1980, and probably as early as 1977, Defendant has sold pantyhose under the mark LEG LOOKS®. Defendant has, for example, sold patterned or textured nylon pantyhose in the lines LEG LOOKS® by Burlington® and LEG LOOKS® Fashion. See Fig. 2(a). Those pantyhose are sold in envelope-style packages with three-size shaded grids.

82. Since 1983, Defendant has spent over $ 12 million in advertising the mark LEG LOOKS®. By 1992, Defendant had sold nearly $ 75 million worth of pantyhose in those LEG LOOKS® lines.

83. After peaking in the mid-1980's, sales had dropped by December 1988 to a projected $ 5 to $ 6 million for that fiscal year. An internal memorandum noted that revitalizing the brand would require a multi-million dollar investment and would be difficult, partly because consumer awareness of the mark was not "significant." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 29 at A001753-1754, filed Oct. 5, 1992).

84. Until 1989, Defendant sold pantyhose under the mark LEG LOOKS® only in department stores.

That year, however, Defendant decided to withdraw them from those stores and to sell them thereafter to a small number of off-price or discount retailers, such as Ross Stores and the Burlington Coat Factory.

85. Defendant considered those two discount outlets and the FDM stores to be "very different distribution channels." (Prelim. Inj. II Pl.'s Ex. 148).

86. In 1992, through those retailers, Defendant was selling about $ 2 million worth of pantyhose annually under the mark LEG LOOKS® and planned to introduce special marketing programs in at least one area.

87. Occasionally, pantyhose sold under the mark L'eggs® and pantyhose under the mark LEG LOOKS® were sold by the same retailers.

88. By virtue of activities at the United States Patent and Trademark Office and affirmative action by Plaintiff to monitor activities in the hosiery market, Plaintiff was well aware that Defendant sold pantyhose under the mark LEG LOOKS®.

89. Until it amended its complaint in September 1992, Plaintiff had raised no objection to Defendant's use of the mark LEG LOOKS® on pantyhose.

90. On April 23, 1991, Plaintiff had in fact acknowledged Defendant's ownership of Registration No. 1,247,116 of the mark LEG LOOKS® for hosiery and pantyhose.

91. Plaintiff made this acknowledgment in a settlement agreement after Defendant had opposed Plaintiff's application for registration of the name "LINGERIE LOOKS" as a new mark for pantyhose on the grounds that LINGERIE LOOKS would be confused with, among other marks, the mark LEG LOOKS®.

92. In that agreement, Plaintiff promised always to use the mark L'eggs® prominently and "in direct visual proximity to the words LINGERIE LOOKS" and only in a particular stylized form in which the initial "L"s are in

upper-case lettering and the other letters are in lower case. (Prelim. Inj. II Def.'s Ex. 100 at P 1 & Ex. A). In other words, Plaintiff agreed that its new mark would always appear as "L'eggs® Lingerie Looks®." See Fig. 3.

93. For its part, Defendant agreed that Plaintiff need not distribute L'eggs® Lingerie Looks® pantyhose "in the egg-shaped containers now associated with its L'EGGS brand." (Id. at P 3).

94. The conditions of use of the mark Lingerie Looks® reflects the parties' understanding that adding the mark L'eggs® would sufficiently indicate the source of Lingerie Looks® pantyhose and would sufficiently differentiate the mark Lingerie Looks® from the mark LEG LOOKS®.

2. Other "Leg" Marks

95. When the mark L'eggs® was first registered for use on women's hosiery, it was challenged by the owner of Mr. Leggs®, a mark used on men's trousers.

96. Plaintiff asserted that the two marks were not likely to be confused because men's trousers and women's pantyhose were different products sold in different stores, the L'eggs® mark "is a contraction used in a distinctive logo form," and the L'eggs® market theme, packaging, and displays were "built around the egg." (Prelim. Inj. II Def.'s Ex. 91 at 1).

97. Plaintiff pointed out that the close relation of the "leg" portion of its mark to both "that anatomical portion of a human being most susceptible to both our products" and "to a pertinent characteristic of the product itself" might make it difficult for use of the word to be restricted. (Id. at 3).

98. Plaintiff also noted that the appearance of the word "leg" in a number of other, prior trademarks in use on clothing, particularly hosiery, gave Plaintiff "sound

reason to believe that no possible confusion with any registered mark was likely." (Id. at 2).

99. Over the years, Plaintiff has challenged marks containing the word "leg" or "legs."

100. Defendant's mark LEG LOOKS® was among over 100 registered "leg" marks interposed in defense of Plaintiff's opposition to registration of the name "YOUR LEGS."

101. Plaintiff admits that over forty third-party trademarks registered for use on pantyhose contain the word "leg" or "legs." Plaintiff has acknowledged others' rights in or acquiesced to the use of a few of these composite "leg" marks.

102. The registrations of at least eight of the third-party marks include disclaimers of the exclusive right to use "leg," "legs," or "legwear," apart from the mark as shown.[13] A registration owned by Plaintiff's predecessor Hanes Corporation also contains such a disclaimer. (See Prelim. Inj. II Def.'s Ex. 57).

103. Pantyhose bearing third-party "leg" trademarks have been sold in FDM stores, but there is no evidence that sales under any one of those "leg" marks exceed one per cent of all pantyhose sales.

E. New Products for a Changing Market

1. Plaintiff's New Products

104. In 1991, Plaintiff launched pantyhose under the name "Back to Basics." They were made of nylon,

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[13] Disclaimers of "an unregistrable component of a mark otherwise registrable" may be made voluntarily by an applicant or may be required by the Commissioner of the Patent and Trademark Office. 15 U.S.C. § 1056. A mark that is "merely descriptive" is unregistrable. 15 U.S.C. § 1052(e)(1).

sold at a low price, and packaged in a plastic pouch that could fit into No nonsense® racks. They were designed to conform to Defendant's sizing and came in "tan," a designation Defendant used, rather than "suntan," a designation Plaintiff used.

105. By the fall of 1991, Plaintiff had decided to discontinue Back to Basics and replace it with a new line.

106. By the spring of 1992, Plaintiff had developed L'eggs® Sheer To Waist pantyhose, intending the nylon product to virtually replicate and directly compete with No nonsense® Sheer to waist pantyhose. (See Prelim. Inj. II Def.'s Ex. 131).

107. In addition to Plaintiff's using the common descriptive term "sheer to waist" for the first time, the package displayed the term in a formation, typeface, and angle below two stripes like those on Defendant's package. Like Defendant's Sheer to waist package, Plaintiff's egg-topped box was orange.

108. Plaintiff introduced its new product at a significantly lower price than Defendant's and then extended the low pricing strategy to all of Plaintiff's nylon brands.

109. In the spring of 1992, Plaintiff replaced Back to Basics with another nylon line, L'eggs® Everyday®.

110. The Everyday® package was a paperboard box approximately 4-1/2 inches wide, 4-1/2 inches high, and 1-1/2 inches deep. Plaintiff, noting it was "shaped somewhat like the square pouch," designed it to fit where pouches fit, i.e., on No nonsense® racks. (Prelim. Inj. II Def.'s Ex. 149 at 3.04237). Everyday® pantyhose were also designed to conform to No nonsense® sizing and came in tan.

111. Plaintiff's packaging of knee-high pantyhose in the Everyday® line also imitated an element

Defendant had used since the 1970's for its knee-high packaging: the color fuschia.

112. Furthermore, Plaintiff has marketed nylon L'eggs® Knee Highs in plastic pouches virtually the same size as Defendant's knee-high pouches. Although the packages were peach-colored and not fuschia, they displayed the phrase "Knee Highs" in a formation, typeface, and angle below two stripes, as Defendant's packages did.

113. Finally, Plaintiff, intending to "emulate No Nonsense's structure," made a tabletop box dispenser wider than but otherwise structurally identical to Defendant's. (Prelim. Inj. II Def.'s Ex. 200).

2. Defendant's Plans

a. Background: No nonsense® Market Status in 1992

114. As 1992 began, market research showed that due to a peaking of the rate of entry of women into the work force and a growing tendency to wear casual clothing, the hosiery market was stable or shrinking.

115. The research also showed that consumers had greater awareness of the mark L'eggs® than the mark No nonsense® and bought L'eggs® pantyhose more often.

116. Considering only pantyhose sales occurring FDM stores from 1988 to 1991, No nonsense® lost 2-1/2 points of market share while L'eggs® gained more than 3 points. By the end of 1991, No nonsense®'s market share was at a five-year low.

117. According to a 1992 market research report, pantyhose wearers consider that "[t]he most important pantyhose attributes are comfort, fit and durability." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 38 at 25.00570).

118. In the report, which explored what characteristics would make a new line of pantyhose successful, Defendant analyzed the sales in FDM stores of various types of pantyhose including "basic," "support," and "premium." (Id.).

119. Noting that it is "extremely difficult to convince consumers to try a new type of pantyhose," the analysis included estimates of how many purchasers of particular types of pantyhose would switch brands if the price differences were irrelevant. (Id. at 25.00572).

120. Defendant's analysis showed that, while growth in the hosiery market as a whole was stabilizing, since 1985 there had been growth in FDM store sales of pantyhose made with spandex. Plaintiff's SHEER ENERGY® had captured the largest share of this growth.

121. Of all pantyhose sold, over fifty per cent are all nylon. Most of the pantyhose Defendant sells are all nylon. Indeed, in 1991, over seventy-five per cent of No nonsense® pantyhose sold were all nylon, and only twenty-five per cent were made with spandex. The reverse was true of L'eggs® sales.

122. The 1992 analysis recognized that the hosiery market's stasis or contraction meant that growth in No nonsense® sales would necessarily depend on gaining market share from its competition, namely L'eggs® brands.

123. According to Robert Seelert, Defendant's president and chief executive officer, Defendant understood Plaintiff's copying of its nylon products and package features to be a direct attempt to gain such market share from No nonsense®.

b. Plans to Redesign the No nonsense® Line

124. Early in 1992, Defendant retained Deskey Associates, Inc. ("Deskey"), a packaging design consulting firm, to redesign the No nonsense® packages.

125. Deskey revised the No nonsense® logo.

126. Assuming that the mark No nonsense® would be the "primary communication," followed by sub-brand names and generic descriptors, Deskey also suggested many possible names for different sub-brands and narrowed the selection on the basis of market research. (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 45 at 30.00034).

127. Among the criteria Deskey acknowledged for sub-brand names were that they "should be available and protectable legally." (Id.).

128. Defendant and Deskey wanted a consistent color scheme for the No nonsense® package line. After considering a number of different possibilities, Defendant decided that it would be better to continue to use its traditional colors rather than risk a loss of equity base by trying new colors.

129. Defendant also discussed but decided against alternatives to the pouch package.

130. The redesign of the No nonsense® line is a long-term effort. As of the August 1993 hearing, its results had not yet reached the market.

c. Plans to Introduce a New Product

131. As early as 1991, Defendant began to consider developing a new line of pantyhose made with spandex to introduce in response to Plaintiff's introduction of new nylon pantyhose.

132. Defendant considered naming the new line "Active Sensations."

133. By early 1992, Defendant believed that Plaintiff's new nylon pantyhose and pricing strategy would make Defendant's forthcoming promotion plan for the predominantly nylon No nonsense® line "totally

uncompetitive." (Prelim. Inj. II Tr. Vol. VIII at 120, filed Feb. 28, 1994). While continuing to address the line redesign, Defendant decided that development of a line of pantyhose made with spandex would be its first priority.

134. Aiming to introduce its new pantyhose concurrently with Plaintiff's introduction of Everyday® pantyhose, Defendant undertook to launch its new pantyhose by September 1, 1992.

135. Defendant wanted its new pantyhose to compete with SHEER ENERGY® pantyhose. Defendant considered which colors to offer in which sizes and styles based on the best-selling SHEER ENERGY® combinations.

136. Defendant, however, chose a pricing strategy markedly different from that Plaintiff used for SHEER ENERGY®. Defendant decided to sell its new pantyhose at a "value-price," that is, at a price very close to the product's production cost. Defendant planned to introduce its new pantyhose at a price forty per cent below that of SHEER ENERGY® and to sustain sales at a price twenty-five to thirty per cent below that of SHEER ENERGY®. (See Prelim. Inj. II Def.'s Exs. 267 at A01358 & 266 at A001788).

137. Rather than investing heavily in media advertising, Defendant planned to promote its new pantyhose by making a broad-scale, rapid trial of pre-priced floor displays. (Id. at 01791, 01793).

138. According to Defendant's advertising agency, it is unusual not to emphasize promotional advertising when introducing new products. On the other hand, saving money on advertising and promotion would enable Defendant to pursue its low-cost pricing strategy.

139. Defendant's fiscal year runs from February to January. In the advertising agency's experience, Defendant typically cancelled a significant amount of fourth-quarter advertising plans to improve their reported profits at year end.

140. The new pantyhose were launched in the fall of 1992. At that time, Defendant, circulating print advertising, spent $ 340,000.00 on advertising.

141. One factor a company must take into consideration when introducing a new product is the extent to which consumers will buy the new product in place of the company's existing products. A purchase of this kind is known as "cannibalization." If too much cannibalization occurs, an apparently successful new product may in fact not be profitable to the company. Cannibalization dynamics may be clarified once actual sales are made.

142. When drawing up budgets and estimating profits and losses from new pantyhose, both Plaintiff and Defendant have made projections based on estimated cannibalization rates of both fifty per cent and thirty per cent. Plaintiff has also made such projections based on an estimated rate of zero per cent. (See Prelim. Inj. II Def.'s Ex. 181 at 3.00471 ["assumes no cannibalization"]).

143. In the 1991 proposal requesting permission to proceed with the development of "Active Sensations," a $ 7.4 million media estimate was made based on an assumption of fifty per cent cannibalization. This proposal was not approved.

3. Defendant's New Product: LEG LOOKS® INVIGORATING PANTYHOSE" and the 1992 Package

a. Choosing the Name

144. One way to name a new product is to formulate a concept of the product, and then think of many possible names and choose the one best encapsulating the concept.

145. According to Plaintiff's expert, this is the "usual way" of developing names. (Prelim. Inj. II Tr. Vol.

III at 72, filed Jan. 31, 1994). According to Defendant's expert, in the general practice of marketing, deviations from this ideal are "rampant." (Prelim. Inj. II Tr. Vol. IX at 71, filed Mar. 1, 1994).

146. Seelert testified that launching a new product with a name not already trademarked would be a risky investment.

147. According to Defendant's advertising agency, a name's status as a registered trademark could be a practical reason for preferring it.

148. In the early 1990's, Defendant's library of registered marks included LEG LOOKS®, LEG SENSE\®, SILKY LOOKS®, COMFORT STRIDE®, SHEER LEGACY®, SHEER INDULGENCE®, and CAMEO.

149. Defendant's initial concept of its new pantyhose was that they would feel invigorating.

150. In 1991, when development of this new line was first contemplated, Defendant considered names including "Active Sensations" and "Sheer Invigoration."

151. Defendant filed applications for trademark registration of the names "SHEER INVIGORATION" and "SHEER VIGOR" with the United States Patent and Trademark Office, which published the marks for opposition.

152. On April 15, 1992, Plaintiff notified Defendant that it intended to oppose the registrations.

153. Evidence presented at the 1992 preliminary injunction hearing, at which the use of the mark LEG LOOKS® per se was not at issue, led the magistrate judge to conclude that Defendant turned to its library of existing trademarks, and ultimately chose LEG LOOKS®, only after and as a direct result of being notified of Plaintiff's intent to oppose Defendant's trademark applications.

154. Evidence presented at the 1993 hearing, however, shows that members of Defendant's management had given substantial consideration to calling its new line of pantyhose "LEG LOOKS® SENSATIONS INVIGORATING PANTYHOSE By No nonsense®" well before April 15.

155. George Holland, head of new product development for Defendant since September of 1991, said in a deposition that he did not remember hearing the names "Sheer Vigor" or "Sheer Invigoration" before July 1992.

156. At least as early as April 10, 1992, however, Holland had been told to use "LEG LOOKS SENSATIONS INVIGORATING PANTYHOSE By No nonsense®" as the working name for the new line of pantyhose and had been sent color and size recommendations for pantyhose referred to as "Leg Looks Sensations." (See Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 52 at 72, 108, 115, 117-20; Prelim. Inj. II. Pl.'s Ex. 143). At some point, the word "SENSATIONS," seen as unwieldy or redundant, was dropped from the name.

157. Both Defendant's advertising agency and focus group research indicated that names other than LEG LOOKS® would more accurately convey to consumers positive ideas about the feel as well as the look of the product. Participants in the research found the name more appealing, however, when it was read as "LEG LOOKS® INVIGORATING PANTYHOSE." (Prelim. Inj. II Def.'s Ex. 240 at A002321).

158. Holland, who previously worked with Defendant's other LEG LOOKS® lines, testified that it never occurred to him that selling pantyhose under the mark LEG LOOKS® in FDM stores would cause confusion with the mark L'eggs®.

b. Designing the Package

(1) Ideas and Decisions

159. Defendant decided to use a May 1992 sales meeting as an opportunity to ask about a retailer's interest in the new pantyhose. To that end, Defendant's creative department drew possible package designs.

160. Deskey also made other drawings, but Defendant decided to retain the basic design first created in-house.

161. On July 17, 1992, Defendant met with inside and outside counsel to discuss the launch of the new pantyhose. John Pardo of Deskey, who was meeting with Thomas Kuhn, Defendant's vice-president of marketing for the sheer hosiery division, about redesigning the No nonsense® line, joined the meeting, but Holland was on vacation and did not attend.

162. At that meeting, after some changes had been made, Seelert gave final approval to the LEG LOOKS® INVIGORATING PANTYHOSE By No Nonsense® name and packaging.

163. Notes made by one of Defendant's product managers and by Deskey indicate that creative information related to the new packaging was to be purged once it had been decided upon.

164. As the volume of sealed documents and the frequency with which the parties' representatives were excluded-from the courtroom during the hearing demonstrate, both parties consider market research and product design materials highly confidential. It is not uncommon for employees to move from one company to the other.

(2) The Box

165. Defendant decided to sell the new pantyhose in a paperboard box with a tab by which the box may be hung on a peg.

166. Defendant had several reasons for choosing a box: it could be displayed in more ways than a pouch; it maintained an association with Defendant's economy boxes but was different enough from pouches to minimize cannibalization; and it satisfied consumers' belief that paperboard is more environmentally sound than plastic.

167. According to Kuhn's instructions, the box was to be the same height and width as the SHEER ENERGY® economy box. Defendant, who keeps samples of all the products that compete with its own, had samples of SHEER ENERGY® economy boxes available while it was designing the new LEG LOOKS® package.

168. An expert testifying for the Defendant pointed out that the size of a package is influenced by concerns that the package "be big enough to hold the product and not too big to make people believe there's more in the package than [there] really is . . . [it is] really determined by what you put in it." (Prelim. Inj. II Tr. Vol. IX at 30-31, Aug. 27, 1993, filed Mar. 1, 1994).

169. The one-pair LEG LOOKS® box is of nearly the same height and depth and only slightly more than half the width of the two-pair No nonsense® economy box. Its dimensions are closely comparable to those of the paperboard box that holds one pair of Sears Legtricity® pantyhose. (See Prelim. Inj. II Def.'s Ex. 337A).

170. The box would not fit the No nonsense® racks already existing in FDM store hosiery centers, but would fit L'eggs® racks.

171. Defendant planned to develop fixtures for the package according to "'standard' industry footage allotments." (Prelim. Inj. II Def.'s Ex. 266 at A001790).

(3) The Colors

172. In its first drawings, which consumers never saw, Defendant used color coding similar to the coding Plaintiff used on its SHEER ENERGY® packaging: blue on silver-grey for regular, green on silver-grey for sheer to waist, and white on teal for control top.

173. Color is sometimes used by market competitors to indicate common characteristics of their products. For example, soups often come in red and white cans and various brands of decaffeinated coffee and tea are packaged in green.

174. Holland believed that using the SHEER ENERGY® color schemes would help a consumer pick pantyhose of the type and style she sought from all those displayed on hosiery racks.

175. Deskey's drawings experimented with, among other elements, different color schemes, but Defendant chose not to adopt them.

176. Those at the June 17 meeting had "a preliminary opinion that perhaps [Defendant's initial drawings] were infringing on a L'eggs package." (Pardo Dep. at 192, filed Aug. 31, 1993). The preliminary color schemes were identified as one concern.

177. Pardo suggested Defendant build on its existing equities and use No nonsense®'s traditional colors of orange for sheer to waist, green for control top, and blue for spandex. He thought red should not be used for the regular style of the new pantyhose because red was so closely associated with Defendant's best-selling No nonsense® Regular nylon pantyhose.

178. Defendant decided to use orange, green, and blue and to retain the silver-grey background, which was considered a link to the No nonsense® Comfort Stride® or Light Support silver pouch.

(4) The Logo, Graphics, and Size Designators

179. In early May 1992, Kuhn asked Pardo to work with the graphics from Defendant's initial drawings and to enlarge the product's name on the box.

180. Deskey's drawings incorporated the new No nonsense® logo. That logo appears on the front, sides, and top of both the 1992 and 1993 Packages.

181. Some drawings also included a line drawing of a leg, but the 1992 package did not incorporate that element.

182. Those at the June 17 meeting also expressed concern about the typeface, angles, and lines used in Defendant's initial concept drawings.

183. Pardo suggested considering other typefaces and eliminating the angle. Nevertheless, he considered neither of these features to pose significant problems because typefaces are in the public domain and angles and lines are common to many packages.

184. Holland later spoke to Pardo about Pardo's impressions from the June 17 meeting. Each made notes about the typeface being changed because it was "too close to L'eggs." (Prelim. Inj. II Pl.'s Ex. 121 at C007457; see also Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 66).

185. The size designators on the 1992 Package were "A," "B," and "Q." A three-size shaded grid appeared on the back of the 1992 Package, as it had on Defendant's LEG LOOKS® envelopes.

F. The 1993 LEG LOOKS® Package

1. Elements Retained: Name, Box, Colors

186. After the magistrate judge made his recommendation of November 3, 1992, and before the court rendered its order of December 1, 1992, Defendant could only speculate as to the ultimate outcome of the 1992 hearing. Defendant therefore explored several possible package designs.

187. Defendant considered other names it had previously trademarked, and different color schemes, typefaces, and graphics for use in the event the court enjoined Defendant from using either the name, colors, typeface, or graphics that had appeared on the 1992 Package.

188. The court's order of December 1, 1992, clarified the parameters of the injunction against the 1992 Package and any subsequent packaging Defendant might develop.

189. Believing that its right to use the name LEG LOOKS® had been at issue during the 1992 proceedings and had been resolved in its favor by the court, Defendant decided to continue to call its pantyhose "LEG LOOKS® INVIGORATING PANTYHOSE By No nonsense®.

190. Defendant also decided to continue to use the box and colors that the court's order permitted it to use, the "A-B-Q" sizing, and the grid.

2. Elements Changed: Font, Slant, Graphics

191. Defendant eliminated each element the order prohibited.

192. The 1993 Package presents, on the horizontal against a solid blue, green, or orange background, a black shield with "LEG LOOKS® INVIGORATING PANTYHOSE By No nonsense®" in white and the leg design created by Deskey.

193. The name LEG LOOKS® and the logo By No nonsense® on the front are both larger than on

the 1992 Package. The No nonsense® logos on the front, top, and sides of the 1993 Package are larger than there were on the 1992 Package.

3. Marketing the 1993 Package

194. The 1992 Package reached the market in the fall of 1992, and the 1993 Package arrived by early 1993. As of the August 1993 hearing, Defendant had sold over 3.5 million pairs of LEG LOOKS® INVIGORATING PANTYHOSE in the 1993 Package.

195. In 1992 and 1993, SHEER ENERGY® pantyhose were sold for as much as $4.00 per pair, while pantyhose in the new LEG LOOKS® line were sold for less than $ 3.00 and sometimes less than $ 2.00 per pair.

196. Beginning in the fall of 1992, Plaintiff arranged for SHEER ENERGY® coupons to be printed on the back of cash register receipts when customers bought No nonsense® Light Support or LEG LOOKS® INVIGORATING PANTYHOSE. Plaintiff assumed as many as 100 million coupons would be distributed in this manner in the fall of 1992 alone.

G. Consumer Perceptions: Anecdotal Evidence[14]

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[14] Defendant disputes many of the magistrate judge's credibility determinations and objects to recommended findings based on those determinations, particularly the findings relevant to consumer confusion. The court has reviewed each of the Defendant's objections independently and finds them without merit. The court could, but need not, conduct a hearing to make a de novo determination of the credibility of witnesses. United States v. Raddatz, 447 U.S. 667, 676, 65 L. Ed. 2d 424, 100 S. Ct. 2406, reh'g denied, 448 U.S. 916, 65 L. Ed. 2d 1179, 101 S. Ct. 36 (1980). If the court had doubts about the magistrate judge's credibility determinations such that the court might reject those determinations, the court would conduct a hearing. See id. at 681 n.7. The determinations,

1. Consumer Testimony

a. About the 1992 Package

197. Two consumers wrote that they had seen 1992 Packages and, due to the name, had thought that the pantyhose "were a less expensive kind of 'L'eggs Sheer Energy' pantyhose," (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 13 Pryor Aff. P 3), or that "L'eggs had come out with a new brand that was on sale," (Pl.'s Reply Br. Supp. Mot. for Prelim. Inj. App. Ex. 1 Pope Decl. P 3). Both saw the packages at K-Mart; at least one saw them on a K-Mart spinner.

198. At the hearing, another consumer testified to buying pantyhose in the 1992 Package believing them to be low-priced L'eggs® pantyhose. She said that the name LEG LOOKS®, the designation "Sheer to the Waist,"[15] and "the silver color" led her to believe the 1992 Packages contained L'eggs® pantyhose. (Prelim. Inj. II Tr. Vol. V at 145, filed Feb. 9, 1994).

b. About the 1993 Package

199. The same consumer said that, after sending a pair of the 1992 pantyhose to Defendant for replacement, she received a 1993 Package. She said due to

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however, are based upon the direct observation of the witnesses by an experienced magistrate judge with first-hand knowledge of the intricacies of this dispute. See United States ex rel. Sullivan v. Cuyler, 553 F. Supp. 1236, 1238 (E.D. Pa. 1982), aff'd, 723 F.2d 1077 (3d Cir. 1983). The court therefore accepts the magistrate judge's credibility determinations while reserving its privilege to make its own determination of the weight to be accorded any individual piece of evidence.

[15] The style designations on SHEER ENERGY® packages are "reinforced toe," "control top," and "all sheer," not "sheer to waist."

the name she continued to believe the pantyhose were made by Plaintiff.

200. Three other customers testified at the hearing to having bought pantyhose in the 1993 Package believing them to be L'eggs® pantyhose. Each said that the name LEG LOOKS® prompted her to think the pantyhose were L'eggs® pantyhose. Two of the consumers said they thought that LEG LOOKS® were new pantyhose from L'eggs®.

201. One said that, attracted by the low price, she bought an orange 1993 Package thinking the new pantyhose were from a new division of L'eggs® or were "L'eggs Classic, or L'eggs Summertime Look." (Prelim. Inj. II Tr. Vol. I at 114 & 102, filed Jan. 31, 1994). At the same time she bought a pair of her usual pantyhose, all-sheer SHEER ENERGY® pantyhose in the silver-and-green, egg-topped box.

202. She opened both boxes and discarded them. Later she mistakenly returned the pair of SHEER ENERGY® pantyhose to Defendant and the pair of LEG LOOKS® pantyhose to Plaintiff.

203. The other consumer who said she thought LEG LOOKS® were new pantyhose from L'eggs® said that she does not and cannot wear SHEER ENERGY® or any other pantyhose made with spandex. She usually buys all-nylon control-top pantyhose in a blue box.

204. She said she bought the green control-top 1993 Package because she thought "that it was a new type of pantyhose that L'eggs had come out with at a more reasonable price." (Prelim. Inj. II Tr. Vol. II at 9, filed Jan. 31, 1994). She did not examine the package to see whether the pantyhose inside were made with spandex.

205. She said, however, that she knew it was not a SHEER ENERGY® package because "it did not say Sheer Energy." (Id. at 15).

206. The only consumer to buy a 1993 Package believing it to be a SHEER ENERGY® package bought a green control-top 1993 Package when she intended to buy a silver-and-green all-sheer SHEER ENERGY® egg-topped box.

207. Admitting she had not been wearing her glasses at the time, she said because "all [she] saw was the big print and the 'B' and its says Leg Looks," she assumed she was buying her normal product. (Prelim. Inj. II Tr. Vol. I at 131-32, filed Jan. 31, 1994).

2. Plaintiff's Employees' Testimony

208. Plaintiff sends approximately 840 sales merchandisers to at least 70,000 stores around the country to handle stock and maintain displays.

209. A single sales merchandiser may visit thirty stores a week. Between the introduction of the 1993 Package and the August hearing, Plaintiff's sales merchandisers together therefore made over 800,000 store visits. During that time the 1993 Package was stocked intermittently in less than half the stores visited.

210. When they make their rounds, Plaintiff's sales merchandisers routinely look for information on competitors' products and record it in a hand-held computer. In January 1993 the computers were specifically programmed to receive information pertaining to the new LEG LOOKS® pantyhose. Sales merchandisers were also provided with "LEG LOOKS FIELD INPUT" forms for detailed reports. (See, e.g., Prelim. Inj. II Def.'s Ex. 219).

211. Sales merchandisers wear L'eggs® name badges.

212 Three of Plaintiff's sales merchandisers testified about witnessing consumers' encounters with the 1993 Package and others provided affidavits.

213. The court notes that the merchandisers cannot know from hearing the consumers' statements whether they said, "It says 'Legs'" or "It says 'L'eggs.'"

214. One merchandiser said that she had encountered one consumer who said of a 1993 Package, "It is made by L'eggs. It says 'Legs' right there." (Prelim. Inj. Tr. Vol. I at 139, filed Jan. 31, 1994). Another consumer, when she was told that a 1993 Package was not Plaintiff's, told the merchandiser "it said 'Legs.'" (Id. at 141).

215. Another sales merchandiser testified that a consumer said "Well, it says Legs," when she was told that the 1993 Package she had asked about was not Plaintiff's. (Id. at 198).

216. The third said that a customer asked her about the 1993 Package, first indicating she thought it contained pantyhose made by Plaintiff because L'eggs® pantyhose "come in a box and No nonsense comes in a bag." (Prelim. Inj. II Tr. Vol. II at 52, filed Jan. 31, 1994). When the merchandiser and the customer then looked together at the package, the customer said, "Legs right there; that's yours." (Id. at 53).

217. The same sales merchandiser testified that one store clerk asked her what she was going to do with a LEG LOOKS® shipper and another thought the 1993 Packages on a K-Mart spinner were hers.

218. In affidavits, other employees attested the following: a consumer who asked, "Are these L'eggs? . .. I want L'eggs." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 11 Cheatham Aff. P 3); a consumer who asked of the 1993 Package, "Is this new?" (Id. Ex. 7 Revo Aff. P 4); a consumer who said, while looking at a K-Mart spinner containing 1993 Packages, "I thought this was L'eggs." (Camplair Decl. P 3, filed Aug. 9, 1993); a consumer who said of the 1993 Package, "The package confuses me and it made me think that 'Leg Looks' is made by L'eggs." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited

Prelim. Inj. Ex. 5 Chouinard Decl. P 5); and a store manager who said in February 1993, "Many of my customers are confused over who makes 'Leg Looks.'" (Id. Ex. 17 Thomas Aff. P 3). It was generally the affiants' impression that the consumers' confusion arose from the name LEG LOOKS®.

219. The affidavits attested to approximately two dozen encounters with store personnel who asked Plaintiff's merchandisers to handle shippers or excess store stock of 1993 Packages or appeared confused about which products belonged on which shelves. Affiants said store employees had not been confused before about Plaintiff's and Defendant's pantyhose and had identified the name LEG LOOKS® as the source of confusion.

220. The employee affidavits recounted a dozen instances of LEG LOOKS® packages being shelved on or, more often, near shelf space typically reserved for Plaintiff's packages. Five of the incidents involved the 1992 Package and three others occurred in K-Mart.

221. There is also evidence of about a dozen misspellings or misplacements of signs, half of which were displayed in association with the 1993 Package.

3. Defendant's Employees' Testimony

222. Defendant's sales merchandisers visit about a third of Defendant's FDM retailers, virtually all of whom carry Plaintiff's products.

223. There is no evidence that Defendant's sales merchandisers wear anything identifying them as No nonsense® representatives.

224. Three of Defendant's sales merchandisers testified at the hearing to frequently being asked by store personnel to service Plaintiff's display racks or remove Plaintiff's stock from the store. Citing two particular instances, one of Defendant's sales merchandisers testified that she often has to explain to store personnel who

believe that Defendant's sales merchandisers can "come out and service . . . the whole hosiery center" that Plaintiff and Defendant are "two separate companies." (Prelim. Inj. II Tr. Vol. VI at 195, filed Feb. 9, 1994).

225. The sales merchandisers said that they routinely find Plaintiff's packages on K-Mart spinner shelves meant for Defendant's products or in cartons designated for No nonsense® returns.

226. They also said that they are constantly mistaken for L'eggs® sales merchandisers or store personnel and asked about a variety of products.

227. Also testifying for Defendant was Timothy Flavin, Defendant's director of sales planning and training, who had previously worked with L'eggs® sales for ten years. He said that as early as 1979 he became aware of confusion on the part of store personnel and consumers as to which manufacturer made which pantyhose.

228. According to Flavin, as he stood at L'eggs® racks, consumers would frequently ask him about either Plaintiff's, Defendant's, or another manufacturer's pantyhose. It was his impression that "they would just assume that you were working pantyhose and that was your product." (Prelim. Inj. II Tr. Vol. VII at 126, filed Feb. 28, 1994).

229. He, too, testified that store personnel regularly made mistakes about Plaintiff's sales representatives' responsibilities. He said that while he was a district operations manager for plaintiff store personnel called Plaintiff so frequently to request removal of what turned out to be Defendant's pantyhose that he had to institute special procedures to handle the problem.

230. He also said that mistakes were often made with regard to the shelving of pantyhose and on signs and advertising.

231. Flavin said that his experience with confusion and mistakes like these continued once he joined

Defendant in 1989 and the general level of such confusion became no greater than usual after the introduction of the new line of LEG LOOKS® pantyhose.

232. As early as 1989, Plaintiff's consumer relations department had devised procedures and form letters to use for responding when a "consumer returns hosiery product of another manufacturer." (Prelim. Inj. II Def.'s Ex. 222 at 20.10491).

233. The department compiles year-end reports of consumer correspondence and returns. According to those reports, Plaintiff's L'eggs Products division received fewer complaints about pantyhose in the primary L'eggs® line or theL'eggs® Everyday® line in fiscal year 1993, during which both LEG LOOKS® boxes were on sale, than it had in fiscal year 1992, before they had been introduced.

234. According to the reports in both fiscal year 1992 and in fiscal year 1993, of all the pairs of pantyhose customers returned to the L'eggs Products division, less than three-fourths of one per cent were not made by Plaintiff. The reports do not indicate how many of the pairs not made by Plaintiff were made by Defendant rather than another manufacturer.

H. Consumer Perceptions: Survey Evidence

1. Plaintiff's Survey Evidence

a. Designing the Surveys

235. As evidence of confusion, Plaintiff also introduced two mall-intercept surveys and the testimony of James Fouss of Response Analysis Corporation, a market researcher. He conducted the surveys at the recommendation of Virginia Miles, a marketing consultant.

236. Fouss conducted the surveys using the silver-grey-and-green all-sheer SHEER ENERGY®

economy box and the green control-top 1993 Package, as he has been instructed to do by Plaintiff's counsel.

237. In designing the surveys, Fouss worked with Miles. At the time, neither knew about Defendant's historical use of colors in its No nonsense® line. Nor did Fouss know what styles of pantyhose the silver-grey-and-green SHEER ENERGY® box and the green 1993 Package contained.

238. In both surveys, a grey-violet control-top "Jaclyn Smith® Silky Support" paperboard envelope was used as a control in an effort to determine to what extent participants' responses were due to the characteristics of the 1993 package rather than other factors like prior familiarity with the mark L'eggs® or the belief that the company that makes L'eggs® also makes all other pantyhose.

239. According to Fouss, it was very difficult to find nationally distributed pantyhose having no relation to either party.

240. The mark Jaclyn Smith®, the name of a well-known actress whose photograph appears on the pantyhose package, is used on a complete line of women's hosiery and clothing heavily advertised by its exclusive distributor, K-Mart. Over thirty million women wear Jaclyn Smith® clothing. The mark has high brand awareness nationally.

241. Both J. C. Penney and Sears also distribute pantyhose nationally and may be considered mass merchandisers. Sears carries "Legtricity®" pantyhose, which are packaged in a one-pair box of dimensions similar to the 1993 package. Fouss testified, however, that he avoided selecting a control from J. C. Penney or Sears because of their overall brand awareness.

242. Miles thought the Jaclyn Smith® package an excellent choice of control because the package is as unlike the silver-grey SHEER ENERGY® economy

box as possible and because the pantyhose are distributed nationally in a mass merchandising chain.

243. Neither of the two surveys designed by Fouss tested consumer perceptions of the marks L'eggs® or LEG LOOKS® per se. They only tested consumer's impressions of green boxes featuring those marks.

244. In both surveys, participants were instructed to look at the package as if they were considering purchasing it and to assume the pantyhose it contained were available in their size, color, and style. After they returned the package and it was put out of sight, the interviewer questioned them.

b. Study #1

245. In the first survey ("Study #1"), pantyhose purchasers were shown either the SHEER ENERGY® economy box and the 1993 Package or the SHEER ENERGY® economy box and the Jaclyn Smith® envelope. Participants were shown two boxes, one at a time, and did not have the opportunity to compare them directly.

246. The participants were first asked whether they thought the two brands of pantyhose were manufactured by the same company or different companies and then asked why. They were not, however, asked to name the company or identify it in any other manner.

247. Once a respondent gave a reason for thinking the products were made by the same company, an interviewer would, according to instruction, "probe" for "any other reasons." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 26 Fouss 2d Aff. Ex. 2 at App. Questionnaire A at 1).

248. Each reason was later coded into one of several categories. The survey results indicate what percentage of the participants included a particular answer among all those they gave. Because any single participant

may have given several answers, the percentages assigned to each category of answers do not represent discrete groups of participants. Especially because answers recorded in one category may have been an explanation for or embellishment of answers recorded in another, the percentages from each answer category cannot simply be added together to show what percentage of participants were confused for specified reasons.

249. Of all the participants who saw the SHEER ENERGY® box and the 1993 Package, forty-three per cent said that they thought the pantyhose were made by the same company.

250. Twenty per cent attributed this, at least in part, to similar packaging, colors, labels, or logos.[16] Ten per cent attributed it specifically to the appearance of either "L'eggs®," "legs," or "leg" on both packages. Three percent attributed it to the pantyhose having the same name or same brand name."[17]

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[16] The results Plaintiff lists in its survey report might at first glance appear to differ from those here found. For instance, Plaintiff reports "46%" as having said that the packages have "similar packaging, colors, labels, [or] logos." (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 26 Fouss 2d Aff. Ex. 2 at 5). Caution must be taken to remember that the figures reported by Plaintiff reflect what percentages of those who saw both packages and said they were made by the same company (a population of 126 consumers) then gave a specific reason for saying so. The court's figures reflect what percentage of those who saw both (a population of 290) then said they were made by the same company for a specific reason. The court's figures, in other words, reflect percentages of all those who saw both packages rather than percentages of a sub-set of that group.

[17] At least one response coded as "same company [because] same name" should not have been: the respondent actually said she thought the pantyhose were made by the same company "because I think all pantyhose are made by the same company." (Prelim. Inj. II Tr. Vol. II at 261; see also id. at 259-61).

251. More than twenty other reasons were also given for participants' perception that the pantyhose were made by the same company. (Id. at 5).

252. Of the participants shown the SHEER ENERGY® box and the Jaclyn Smith® envelope, twelve per cent said they thought those pantyhose were made by the same company. (Id.).

253. According to Plaintiff's experts, the results of Study #1 showed that the net percentage of consumers surveyed who thought, for trademark or trade relevant reasons, that the pantyhose in the 1993 Package and the pantyhose in the SHEER ENERGY® economy box were made by the same company was between thirty-one and forty-three per cent. Miles said it was likely to be at the mid-point or approximately thirty-seven per cent.

c. Study #2

254. In the second survey ("Study #2"), pantyhose purchasers were shown only one package, either the 1993 Package or the Jaclyn Smith® envelope.

255. After they returned the package and it was put out of sight, they were first asked what company they thought made that brand of pantyhose and then asked what other brands of pantyhose they thought that company made. They were not asked why they thought the company they named made the pantyhose, nor were they asked why they thought that company also made the other brands of pantyhose they named.

256. As in Study #1, interviewers were instructed to "probe" whether there were "any other" brands the participant thought were also made by the same company. (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 26 Fouss 2d Aff. Ex. 1 at App. Questionnaire 2 at 1).

257. Of the participants shown the 1993 Package and asked what company made them, thirty-eight per cent said No nonsense®, thirty-four per cent said L'eggs®, four per cent said Hanes®, three per cent said L'eggs® or Hanes® and No nonsense®, and one per cent said SHEER ENERGY®. (Id. at 3, 5).

258. Of the participants shown the Jaclyn Smith® package, forty per cent said they were made by Jaclyn Smith or K-Mart, twenty-four per cent said they were made by L'eggs®, SHEER ENERGY®, or Hanes®, three per cent said they were made by No nonsense®, and one per cent said L'eggs® or Hanes® and No nonsense®. (Id. at 3, 6).

259. Of the participants shown the 1993 Package and asked to name other brands made by the company they had identified, nine per cent named only No nonsense® or Burlington® products, six per cent named only SHEER ENERGY® products, thirteen per cent named only L'eggs® products, thirteen per cent named Hanes® or other L'eggs® or Hanes® products, and two per cent named both L'eggs® and No nonsense® products. (Id. at 3, 7).

260. Of the participants shown the Jaclyn Smith® package and asked to name other brands made by the company they identified, three or four per cent named only Jaclyn Smith® or K-Mart products, four per cent named only No nonsense® or Burlington® products, four per cent named only SHEER ENERGY® products, and nineteen per cent named only L'eggs® or Hanes® products. (Id.).

261. Combining the responses to the two questions and eliminating double counting, of those shown the 1993 Package, thirty-five per cent associated it only with Plaintiff's companies and products; twenty-seven percent associated it only with Defendant's companies and products; and twenty-four per cent associated it with both Plaintiff's and Defendant's companies or products. (Id. at 8).

262. Combining the responses to the two questions and eliminating double counting, of those shown the Jaclyn Smith® package, twenty-five per cent associated it only with Plaintiff's Companies and products; seven per cent associated it with both Plaintiff's and Jaclyn Smith's companies or products; and five per cent associated it with both Plaintiff's and Defendant's companies or products. (Id. at 9).

263. Of all the participants shown the 1993 package, fifty-nine per cent made some association between it and Plaintiff's companies or products, and fifty-one per cent made some association between it and Defendant's company or products (some participants made some association between the 1993 package and both Plaintiff's and Defendant's companies and products).

264. By comparison, of the participants shown the Jaclyn Smith® package, thirty-seven per cent made some association between it and Plaintiff's companies or products, and eight per cent made some association between it and Defendant's company or products.

265. According to Plaintiff's experts, the results of Study #2 showed that the net percentage of consumers surveyed who thought, for trademark or trade dress relevant reasons, that the pantyhose in the 1993 Package were made by one or the other of Plaintiff's divisions was somewhere between twenty-two and fifty-nine per cent, and most likely to be at the mid-point, or approximately forty per cent.

266. According to Plaintiff, the responses given by participants who saw the Jaclyn Smith® package and associated it with L'eggs® indicate that thirty-seven per cent of consumers are likely to think all pantyhose are made by or affiliated with Plaintiff. Thus, according to Plaintiff, the rate of association made between the 1993 Package and Plaintiff's companies or products may be as much as twenty-

two percent higher than is normal between unrelated brands of pantyhose.

267. Plaintiff attributes this twenty-two per cent rate of association to the name and appearance of the 1993 Package.

268. The court notes, however, that twenty-four per cent of those making an association between the 1993 package and L'eggs® named both L'eggs® and No nonsense® as the company of origin, named No nonsense® products as being made by L'eggs®, or named L'eggs® products as being made by No nonsense®. Of those who made an association between the Jaclyn Smith® package and L'eggs®, five per cent gave similar responses.

269. These responses would be logically inconsistent if those who gave them knew that pantyhose sold under the mark L'eggs® and pantyhose sold under the mark No nonsense® are products from different sources. In other words, the responses of as many as twenty-four per cent of the participants shown the 1993 Package indicate that they did not distinguish L'eggs® and No nonsense® as being separate companies or L'eggs® and No nonsense® pantyhose as coming from separate sources.

270. While they might realize that not all pantyhose are made by the company that makes L'eggs® pantyhose, as many as twenty-four per cent of consumers may well think that both No nonsense® pantyhose and L'eggs® pantyhose are made by the same company, whether it be Plaintiff or Defendant.

2. Defendant's Survey Evidence

271. Defendant submitted a survey conducted in December 1992 by Michael Rappeport, a market research expert with a background in statistics, to test consumers' perceptions of the trade dress of the 1993 Package and the SHEER ENERGY® trade dress.

272. As requested by Defendant's counsel, Rappeport reviewed the December 1992 court order and conducted a survey to determine whether the new packaging was sufficiently differentiated from Plaintiff's SHEER ENERGY® packaging.

273. Rappeport understood the focus to be the trade dress of the 1993 Package. He differentiated "trade dress" from "trade words" and believes it to be appropriate in trade dress surveys "to distinguish all the elements that aren't words and the elements that are words." (Prelim. Inj. II Tr. Vol. VII at 11, filed Feb. 28, 1994). Rappeport therefore designed a survey to determine whether "the trade dress--that is, all the elements that weren't words, had been distinguished from the SHEER ENERGY® package." (Id.).

274. Participants in the survey were shown one of two arrays of six different pantyhose packages.

275. Featured in the survey was a box virtually identical to the 1993 Package, except in place of the words "LEG LOOKS" were the words "GOOD TIMES." Half of the participants in the study saw an array containing an egg-topped SHEER ENERGY® box and half saw an array containing a SHEER ENERGY® economy box. In every array the 1993 Package and the SHEER ENERGY® package were of a different color.

276. With the packages in view, consumers were asked, "How many different companies or makers are represented by these six items, or don't you know?" Those who said either two, three, four, or five were then asked, "Which, if any, come from the same company or maker or don't you know?" Then the participants were asked why they had grouped certain products together.

277. These responses to the second question were tabulated to show the percentage of consumers who made each of the fifteen possible pairings of products in the array.

278. If the pairings were made randomly, any one pairing of two particular packages would have a five per cent change of occurrence. According to Rappeport, one accounts for such "noise" or irrelevant associations, by subtracting that five per cent from the rate of occurrence actually found by the survey.

279. Approximately sixty per cent of the participants answered, "one," "six," or "don't know" to the first question and were not asked to make any groupings of packages.

280. Of those who made groupings, a substantial portion made a number of groupings inconsistent with the number of companies the participant had identified as being represented in the array.

281. Of all the pairings made by the forty per cent of participants who made package groupings, ten per cent matched the modified 1993 Package with either the SHEER ENERGY® egg-topped box or the SHEER ENERGY® economy box. Adjusting for randomness or noise thus results in a rate of occurrence of the pairing of five per cent.

282. According to the data collected, similarities in packaging did not account for all the pairings of the modified 1993 Package and the SHEER ENERGY® packages. Participants' reasons for pairing the packages also included thinking that "L'eggs and No nonsense are the same company" or "No nonsense is made by L'eggs," seeing them both sold "at the same place" or "next to each other in the store," and associating the "best known brands" or "the only ones I know." (Prelim. Inj. II Def.'s Ex. 356 at App. II at II-1, II-2).

283. Rappeport attributed pairing for reasons such as these to the effect of the L'eggs® mark's market dominance.

284. In the survey, over one-third of the 1993 Package and SHEER ENERGY® pairings, or four per

cent of all the pairings made, were attributed to such "market dominance."

285. According to Rappeport, adjusting the initial ten per cent pairing rate for both randomness and market dominance leaves a one per cent chance of either SHEER ENERGY® package being paired with the modified 1993 Package for reasons related to similarities in packaging.

286. Of pairings made by participants who saw an array that included the SHEER ENERGY® economy box, thirteen per cent matched that box with the modified 1993 package.

287. According to Rappeport, adjusting for randomness and market dominance leaves a four per cent chance of the modified 1993 Package and the SHEER ENERGY® economy box being paired together for reasons related to similarities in packaging.

288. In comparison, pairings of two pantyhose packages that are both made by Sears and appeared in all the arrays--a Legtricity® box and a Nice Touch® Silken Sheers with Lycra® paperboard envelope--accounted for nine per cent of all the pairings made. According to Rappeport, adjusting for randomness or other noise leaves the pairing of the two Sears' packages with a four per cent chance of occurrence.

289. According to Rappeport, given the 400-participant size of the sample used in this survey, the normal fluctuation in the results overall would be plus or minus three per cent.

290. The normal fluctuation in the results of a survey employing a smaller sample would be even greater. Given that sixty per cent of the participants surveyed were not asked to make package groupings, the statistical difference between thirteen per cent of pairings made by some forty per cent of the 200 who saw an array including the SHEER ENERGY® economy box and nine per cent of pairings made by some forty per cent of the 400 who saw

arrays including either that box or the egg-topped box is insignificant.

291. According to Rappeport, his survey did not reveal any meaningful evidence of consumer confusion between the new packaging and the SHEER ENERGY® packaging.

292. The survey did not test for consumers' associations arising from use of the mark LEG LOOKS®.

I. Expert Witness Testimony

1. Opinions of the Surveys

293. Virginia Miles and Thomas DuPont, a market research expert, testified as expert witnesses for Plaintiff.

294. Both thought that the Fouss surveys were sound and well-designed, although DuPont added that the surveys would have been even more sound if two controls had been used.

295. DuPont agreed that it was important to eliminate from consideration "any errors" other than the 1993 Package itself "there might be that cause somebody to say that Leg Looks is made by L'eggs." (Prelim. Inj. II Tr. of Extract from Hrg. at 48-49, filed Nov. 30, 1993).

296. He noted that the results of Study #1 do not show what portion of the associations made between the 1993 Package and the SHEER ENERGY® economy box was due to the name LEG LOOKS® and what portion was due to anything else. (Id. at 59-60).

297. Plaintiff's experts said that the thirty-seven per cent rate of association made between the Jaclyn Smith® envelope and Plaintiff's companies or products in Study #2 was high.

298. It was DuPont's opinion that if a brand less widely known than Jaclyn Smith® had been used the

rate of association between it and Plaintiff's brands would have been even higher than the association rates reported for the Jaclyn Smith® envelope.

299. According to Plaintiff's experts, Rappeport's survey was irrelevant because it neither tested the actual 1993 Package nor measured the likelihood of confusion between the marks L'eggs® and LEG LOOKS®.

300. At the hearing, Defendant called as an expert witness Alvin Achenbaum, a marketing consultant.

301. Achenbaum characterized the Fouss studies as "fallacious," largely because he thought they did not sufficiently take into consideration the store environment. (Prelim. Inj. II Tr. Vol. IX at 41, 40, filed Mar. 1, 1994). He also said that they did not sufficiently distinguish the effects on consumer perception of various features of the packages.

302. Plaintiff's experts testified that it is difficult, if not impossible, to parse out consumer perceptions of a package or to test the effect of one package feature apart from others.

2. Opinions of the Likelihood of Confusion

303. According to Miles, "from five to ten percent of the people would be confused about practically anything," but percentages higher than that would be cause for concern. (Prelim. Inj. Tr. Vol. III at 79, filed Jan. 31, 1994).

304. To Miles, the Fouss surveys demonstrated conclusively that the 1993 Package is confusingly similar to the SHEER ENERGY® economy box. To DuPont, they showed that there was a substantial likelihood of confusion between the 1993 Package and any L'eggs® package based on the word "leg."

305. In Miles' opinion, the 1993 Package appears to consumers "to be a value brand of L'eggs." (Prelim. Inj. II Tr. Vol. IV at 6, 20, filed Jan. 31, 1994).

306. According to Miles, combining several features of one package in a second package may result in the second package being confused with the first, even if any one feature might not cause confusion.

307. She admitted, however, that products like health and beauty care products, condiments, soup, or sodas may be sold in packages with "product category established similarities." (Prelim. Inj. II Tr. Vol. III at 131, filed Jan. 31, 1994).

308. Having noted that the mark No nonsense® is clearly indicated on the 1993 Packages, Achenbaum pointed out that in other product areas color coding and same-sized boxes do not engender confusion.

309. Miles said that the dimensions and color of the 1993 Package are "auxiliary" aids to the confusion that is primarily caused by the name LEG LOOKS®. (Prelim. Inj. II Tr. Vol. IV at 66-67, filed Jan. 31, 1994). Miles and DuPont both stated their belief that if the name on the 1993 package had been different a lawsuit would have been far less likely.

310. Miles stated that consumers looking at a SHEER ENERGY® package would know it not simply as "SHEER ENERGY," but as a L'eggs® product.

311. It is Miles' firm opinion that the word "leg" in the name LEG LOOKS® evokes L'eggs®. Having cited the widespread fame of the mark L'eggs®, Miles said that "any use" of the word "leg" as a mark on pantyhose would evoke it. (Prelim. Inj. Tr. Vol. III at 104, filed Jan. 31, 1994).

312. Scanning other "leg" marks and imagining their use on the 1993 Package, Miles stated that the two-word "leg" marks "that start with the free standing word 'leg' . . . [are] bound to cause consumer confusion by

invoking the famous trademark L'eggs." (Prelim. Inj. Tr. Vol. V at 92, filed Feb. 9, 1994). Those marks ending with "leg" or "legs" would, she thought, also be problematic.

313. Miles said that consumers would not necessarily read further than the name LEG LOOKS® to see "By No Nonsense®" below it on the front, top, or sides of the package.

314. In Miles' opinion, even if a consumer did read the No nonsense® logo, the prominence of the name "LEG LOOKS" could lead her to misinterpret it.

315. During her testimony, Miles acknowledged that the distinguishing feature of the L'eggs® packaging is, and has always been, the egg. She said, however, that the silhouette of the leg on the 1993 Package did and was intended to invoke the "idea of L'eggs." (Prelim. Inj. II Tr. Vol. III at 59, filed Jan. 31, 1994).

316. Miles agreed, nevertheless, that if the No nonsense® logo were placed clearly on the package "[but] the consumer doesn't know who they are, that's not the fault of No Nonsense." (Id. at 142).

317. In a similar vein, DuPont testified that "if there are people walking around outside who just believe that L'eggs and No Nonsense are the same company, then any confusion by those people would be, as I said, . . . legitimate or unavoidable confusion . . . if they exist, then that's unavoidable." (Prelim. Inj. II Tr. of Extract from Hrg. at 67, filed Nov. 30, 1993).

318. Defining confusion as occurring when a customer intending to buy one brand mistakenly buys another, and comparing the mark LEG LOOKS® with the mark SHEER ENERGY®, Achenbaum testified that the 1993 Packages would not be confused with SHEER ENERGY® packages and were clearly differentiated from the 1992 Package and the SHEER ENERGY® economy box.

319. In Achenbaum's opinion, the green, blue, and orange 1993 Packages are very different from

L'eggs® packages. Noting that both the egg and the color silver were absent from the 1993 Package, he said that the particularly distinguishing features of the 1993 Package are the Defendant's consistent color-coding, the size and frequency of the No nonsense® logo, and the leg silhouette.

3. Opinions of Defendant's Intent

320. Miles faulted Defendant for spending so little on advertising the new LEG LOOKS® in the fall of 1992, for choosing a name neither well-recognized by consumers nor well-connected to the new product's emphasis on feel, and for "imposing the Leg Looks name from above." (Prelim. Inj. II Tr. Vol. III at 72, filed Jan. 31, 1994). She said that "the only logical explanation for the Leg Looks name" is that Defendant intended to confuse consumers and trade off L'eggs® brand equity. (Id. at 71).

321. When Miles first reached this conclusion, she had seriously misinterpreted Defendant's financial condition. She was, and until the 1993 hearing remained, ignorant of Defendant's historical use of colors. Furthermore, she had relied on assumptions about the similarities between the pantyhose themselves to draw conclusions as to Defendant's intent with regard to the packages.

322. At the hearing, Miles conceded that companies constantly, and legitimately, copy each other's products and that "if [Defendant] had used all those colors [on its packages] for 20 years, it . . . might be a different situation." (Prelim. Inj. II Tr. Vol. IV at 66, filed Jan. 31, 1994).

III. DISCUSSION

A. The Issues Before the Court

1. Jurisdiction and Venue

This court has subject matter jurisdiction over this case pursuant to 15 U.S.C. § 1121(a) and 28 U.S.C. §§ 1331, 1338, and 1367(a). The court has personal jurisdiction over the parties. Venue lies in this district pursuant to 28 U.S.C. §1391(b) and (c).

2. Issues Now Moot

Voluntary cessation of allegedly illegal conduct makes an issue moot when the defendant can demonstrate that there is no reasonable expectation that the wrong will be repeated. United States v. W. T. Grant Co., 345 U.S. 629, 632-33, 97 L. Ed. 1303, 73 S. Ct. 894 (1953); see also Virginia ex rel. Coleman v. Califano, 631 F.2d 324, 326 (4th Cir. 1980). Defendant's withdrawal of the 1992 Package was not voluntary, and Defendant continues to assert that its use of the package violated no right of Plaintiff. Defendant has, however, made substantial expenditures and investments in recalling the 1992 Package and introducing the 1993 Package. Moreover, Defendant has voluntarily consented to make its withdrawal of the 1992 Package permanent. A mere disclaimer of an intention to repeat allegedly illegal conduct is insufficient to render an issue moot. W.T. Grant, 345 U.S. at 633. Defendant has, however, done more than disclaim an intention. The court accepts Defendant's representation as binding, and finds that there is no reasonable expectation that Defendant will again use the 1992 package. Whether Defendant should be permanently enjoined from using the 1992 Package is, therefore, a moot issue. Furthermore, as Plaintiff has waived its claims for damages arising from

Defendant's use of the 1992 Package, whether the 1992 Package infringed on Plaintiff's SHEER ENERGY® trade dress is also a moot issue.

3. Issues Remaining

Over the years, in the battle for shares of the hosiery market, both Plaintiff and Defendant have pillaged features of the other's products or packaging. The question before the court is whether Defendant has, in the latest bout, ventured into forbidden territory from which it must be expelled.

Specifically, the court must determine the following:

(1) Whether Defendant's use of the mark LEG LOOKS® on pantyhose sold in FDM stores infringes on the mark L'eggs® in violation of 15 U.S.C. § 1114;

(2) Whether Defendant's use of the mark LEG LOOKS® on the 1993 Package constitutes false designation of origin in violation of 15 U.S.C. § 1125(a);

(3) Whether the overall commercial impression of the 1993 package is so similar to the trade dress of Plaintiff's SHEER ENERGY® economy box that Defendant's use of it constitutes false designation of origin in violation of 15 U.S.C. § 1125(a);

(4) Whether Defendant's use of the mark LEG LOOKS® or the 1993 Package constitute unfair competition in violation of the common law of North Carolina and other states where such use occurs;

(5) Whether Defendant's use of the mark LEG LOOKS® or the 1993 Package constitutes an unfair trade practice in violation of North Carolina General Statutes § 75-1.1 and the laws of other states where such use occurs;

(6) Whether Defendant's use of the mark LEG LOOKS® constitutes trademark dilution in violation of the laws of those states where such use occurs;

(7) Whether Defendant's use of the mark LEG LOOKS® or the 1993 Package should be enjoined permanently.

B. Federal Trademark Claims

1. Threshold Defenses

a. Incontestability of the Mark LEG LOOKS®

(1) Limited Incontestability

Defendant asserts that Plaintiff has no right to challenge the mark LEG LOOKS® because the mark's status under 15 U.S.C. § 1065 is conclusive evidence of Defendant's right to use its mark in commerce and may be defeated only by one of the eight "defenses or defects" to incontestability provided by 15 U.S.C. § 1115(b), none of which Plaintiff has asserted. (Def.'s Obj. to Recommendation No. 4 at 117, filed Dec. 14, 1993). Defendant is correct in that the absence from Section 1115(b) of a defense or defect akin to "likely confusing resemblance to a mark previously listed on the federal register" means that Plaintiff cannot challenge Defendant's use of the mark LEG LOOKS® by relying merely on the federal rights Plaintiff acquired when it registered its mark L'eggs® in 1970. (Id. at 119).

Defendant errs, however, in suggesting that Plaintiff's acquisition of federal rights in its mark prevents it from relying on any previously acquired state law rights to challenge a subsequently registered mark. (See id. at 120-22).[18] Federal registration of a mark "does not create the

[18] Defendant's reliance on Wallace Int'l Silversmiths, Inc. v. Wallace Cos., 7 U.S.P.Q.2d (BNA) 1723 (N.D. Ala. 1988), is misplaced because Wallace Cos. was decided before the effective date of the 1988 amendment giving Section 1115(b) conclusive evidentiary status to registrations only "to the extent that the right to use the registered mark

underlying right in a trademark" nor does it "preempt the states' ability to recognize and protect trademark rights." Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 372 (1st Cir. 1980). As provided in Section 1065, Defendant's registered mark is incontestable except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark . . . .15 U.S.C. §1065. The court finds, therefore, that if Plaintiff acquired state law trademark rights in "L'eggs" or "LEG" before 1983, when Defendant registered its mark LEG LOOKS®, those rights are a valid basis for Plaintiff's claim.

(2) Plaintiff's Previously Acquired State Law Rights

A word or phrase functions as a trademark when it serves to identify or distinguish the origin of the goods to which it is affixed. To establish its prior acquisition of state law trademark rights in a particular word or phrase, Plaintiff must have used that word or phrase from a date prior to the registration of Defendant's mark to indicate and distinguish the origin of the products with respect to which infringement is now alleged. See Cullman Ventures, Inc. v. Columbian Art Works, Inc., 717 F. Supp. 96, 113-17 (S.D.N.Y. 1989). Whether a word or phrase is considered to be inherently indicative of origin depends on which of five trademark categories it falls in: generic, descriptive, suggestive,

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has become incontestable under section 1065 of this title." See 2 McCarthy, supra, § 26.19, at 26-87; 3 McCarthy, supra, § 32.44[4][c], at 32-177 n.27. Since Defendant's mark is not incontestable to the extent it infringes on Plaintiff's previously acquired state law rights, its registration cannot attain conclusive evidentiary status in this case.

arbitrary, or fanciful. Marks in the latter three categories are inherently distinctive of origin and are entitled to protection as soon as they are used. Marks in the first two, however, are not. Generic marks, which refer to the genus or class of which the particular product is a species rather than to its particular origin, are not entitled to protection. See Two Pesos, Inc. v. Taco Cabana, Inc., 120 L. Ed. 2d 615, 112 S. Ct. 2753, 2757 (1992). Descriptive marks are those that "describe the qualities or characteristics of a good." Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 194, 83 L. Ed. 2d 582, 105 S. Ct. 658 (1985). They may be protected if they have acquired a "secondary meaning," distinctive of the source of the product rather than the product itself. Two Pesos, 112 S. Ct. at 2757.

The stylized composite mark L'eggs® combines the word "leg," which names the primary feature of pantyhose and refers to their primary function, and the word "egg," which describes the package that first contained Plaintiff's pantyhose. The mark as a whole, therefore, is suggestive of the product in its package. Because a consumer must exercise her imagination to connect the composite mark L'eggs® with the pantyhose to which it is affixed, it is a suggestive mark. See Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1528 (4th Cir. 1984). As such, it is inherently indicative of origin. Plaintiff therefore need not demonstrate secondary meaning in the phrase to show that it indicates origin. 1 McCarthy, supra, § 15.01[1], at 15-4 to -5.

Plaintiff has used the mark L'eggs® on pantyhose, the products at issue in this case, continuously since the early 1970's. Since 1974, Plaintiff has distributed those pantyhose nationally. From the moment of its first use, Plaintiff has provided the mark with extensive and expensive marketing support. The court finds that by virtue of this nationwide use Plaintiff acquired state law rights in its mark L'eggs® throughout the United States before Defendant registered the mark LEG LOOKS® in 1983. See 2 McCarthy, supra, §

26.19, at 26-91; Cuban Cigar Brands N.V. v. Upmann Int'l, Inc., 457 F. Supp. 1090, 1100 (S.D.N.Y. 1978), aff'd without op., 607 F.2d 995 (2d Cir. 1979).

On the basis of the state law trademark rights it acquired in the stylized mark L'eggs® as a whole, prior to 1983, Plaintiff may challenge Defendant's mark LEG LOOKS® without having to prove a Section 1115(b) defense or defect.[19]

(3) Defendant's Presumptive Rights

Sections 1115(a) and 1057(b) both provide that registration of a mark on the Principal Register "shall be prima facie evidence of the validity of the registered mark. . . and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate . . . ." 15 U.S.C. §§ 1115(a), 1057(b).

The presumption of validity endowed by registration is a strong one. Pizzeria Uno, 747 F.2d at 1529. It shifts the burden of proof from the registrant to the challenger of the mark, who must introduce sufficient evidence to rebut the presumption of the registrant's right to use the mark in commerce on the goods specified in the registration.

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[19] Defendant argues that Plaintiff may not challenge the mark LEG LOOKS® because Plaintiff has not demonstrated rights in the word "leg." Plaintiff, however, having sufficiently demonstrated its rights in the mark L'eggs®, seeks protection for the mark as a whole. It does not seek to use the word "leg" or "legs" simpliciter. To raise a challenge to Defendant's use, therefore, Plaintiff need not demonstrate that it has created a commercial impression in the word "leg" separate and distinct from the composite. Cf. Four Seasons Hotels Ltd. v. Koury Corp., 776 F. Supp. 240 (E.D.N.C. 1991) (having failed to demonstrate rights in "Four Seasons" separate and apart from its composite service mark "Holiday Inn-Four Seasons," senior user had no defense against junior user's challenge to its use of "Four Seasons" simpliciter).

Brittingham v. Jenkins, 914 F.2d 447, 452 (4th Cir. 1990); Pizzeria Uno, 747 F.2d at 1529; CPC Int'l, Inc. v. Skippy, Inc., 651 F. Supp. 62, 66 n.4 (E.D. Va. 1986) (defending registrant of mark SKIPPY for comic strip who attempted to license its mark to companies in the food business required to show evidence to rebut the presumption of plaintiff registrant's right to exclusive use of the mark SKIPPY on peanut butter).

The rights a registrant is presumed to have are as broad as its registration for a particular good, regardless of the "enormous variety" in type, size, or composition of the good on the market. San Fernando Elec. Mfg. Co. v. JFD Elec. Components Corp., 565 F.2d 683, 685 (C.C.P.A. 1977); see also RE/MAX of America, Inc. v. Realty Mart, Inc., 207 U.S.P.Q. 960, 965 (T.T.A.B. 1980). Defendant's registration No. 1,247,116 identifies the goods to which it may affix the mark LEG LOOKS® as "hosiery and pantyhose." There is no limitation in the registration that ever restricted Defendant's right to use its mark only on pantyhose of a particular composition. The registration's plain terms established the presumption that Defendant could and may use its mark without restriction on control-top pantyhose or sheer-to-waist pantyhose, smooth pantyhose or textured pantyhose, pantyhose made with nylon or pantyhose made with spandex, or any other type of pantyhose.

Moreover, a registration bestows upon its owner a prima facie presumption that the "goods or services move through all channels of trade suitable for goods or services of that type, and that they reach all purchasers and potential purchasers of them." RE/MAX, 207 U.S.P.Q. at 965 (emphasis added). A registrant is thus presumed to have the right to use a mark on a particular good in all "'the normal and usual channels of trade and methods of distribution'" regardless of the registrant's business practices at the time it first registered its mark for use on those goods. Canadian Imperial Bank of Commerce v. Wells Fargo Bank, Nat'l

Assoc., 811 F.2d 1490, 1493 (Fed. Cir. 1987) (quoting CBS, Inc. v. Morrow, 708 F.2d 1579, 1581 [Fed. Cir. 1983]).

This lack of restriction also stems from a registrant's rights being as broad as its registration. Users register their marks so as to protect it as they invest in growing businesses. Although at the time it registers its mark the distribution of a registrant's products may be limited, or its "'business practices . . . quite narrow, they may change at any time.'" Id. at 1492 (quoting Morrow, 708 F.2d at 1581). Defendant's registration therefore established the presumption that Defendant could and may distribute pantyhose under the mark LEG LOOKS® through all the channels of trade suitable for pantyhose. Department stores, mass merchandising stores, off-price outlets, food stores, and drug stores are all such suitable outlets.

This broad scope of a registrant's rights are the reasons why a subsequent application for registration of a similar mark must show that its mark would not be confused with one already registered "regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which sales of the goods are directed." Octocom Sys., Inc. v. Houston Computer Servs., Inc., 918 F.2d 937, 942 (Fed. Cir. 1990) (citing, inter alia, San Fernando Elec. Mfg. Co., 565 F.2d at 684-85).

Finally, registration bestows the presumption that the registrant's mark is valid, that is, that it met the statutory prerequisites to a valid registration, as enumerated in 15 U.S.C. § 1052. Registration is refused if an applicant's mark is one "which so resembles a mark [previously] registered . . .as to be likely when used on or in connection with the goods of the applicant to cause confusion." 15 U.S.C. § 1052(d). Therefore, the prima facie evidence of validity bestowed by registration includes the presumption that the mark is not likely to cause confusion with regard to other marks registered for use on the same goods. See Massey Junior

College, Inc. v. Fashion Inst. of Technology, 492 F.2d 1399, 1402 (C.C.P.A. 1974); SODIMA v. International Yogurt Co., Inc., 662 F. Supp. 839, 843 (D. Or. 1987).

The rights bestowed by Defendant's registration of the mark LEG LOOKS®, among others, were the source of its ability to oppose Plaintiff's application for the registration of the name "Lingerie Looks."

b. Equitable Defenses

(1) Estoppel by Acquiescence

A party's claim of infringement may be barred when that party has affirmatively spoken or acted in such a way that its consent to another party's use of a mark can be inferred and the other party has relied on that consent. See 3 McCarthy, supra, § 31.14.

The court finds such acquiescence in this case. In 1991, nine years after Defendant's registration of the mark LEG LOOKS® and four years after it became incontestable to the extent provided by Section 1065, Plaintiff and Defendant reached an agreement. In it, Plaintiff expressly acknowledged Defendant's ownership of the registration for the mark LEG LOOKS®. The acknowledgment supports the inference that Plaintiff recognized and consented to Defendant's entitlement to the whole range of rights legally afforded by such ownership.

At the same time, Plaintiff also agreed to clarify the source of its new "Lingerie Looks" pantyhose by adding the mark L'eggs® to the name. The parties would not have agreed to such a condition if they had thought it would contribute to confusion about the source of their products. The condition supports the inference that neither Plaintiff nor Defendant believed that the name "L'eggs® Lingerie Looks" would be confused with the mark LEG LOOKS® despite their sharing of the word "leg."

Less than a year later, Defendant relied on the registered status of the mark LEG LOOKS® when it chose to affix it to its new line of pantyhose. Defendant's reliance was rooted at least in part on Plaintiff's unconditional acknowledgment of Defendant's rights in the mark.

(2) Estoppel by Laches

Even if Defendant had not established the defense of estoppel by acquiescence, it could still establish the defense of estoppel by laches by showing that Plaintiff knew that Defendant was using Plaintiff's mark or trade dress, yet inexcusably delayed in taking action against it, and that Defendant would be prejudiced if Plaintiff were now permitted to assert its rights. See 3 McCarthy, supra, § 31.01, at 31-7; Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1040 (2d Cir. 1980).

Defendant has shown that Plaintiff not only knew Defendant used the mark LEG LOOKS® on pantyhose but also monitored Defendant's sales of pantyhose under that mark. Yet Plaintiff delayed. Ten or fifteen years of use had passed and at least $ 70 million worth of pantyhose had been sold under the mark before Plaintiff raised any objection to it whatsoever. Was Plaintiff's delay excusable?

Having found as a fact that "there is no evidence that LEG LOOKS® was ever considered a competitor of L'eggs® during this time period," the magistrate judge decided that Plaintiff's delay was excusable. (Recommendation No. 4 at 15, filed Nov. 30, 1993). According to the magistrate judge, because Defendant's mark was used in department stores and not FDM outlets, on pantyhose made with nylon but not with spandex, and sold at a regular price and not a "value price," in flat envelopes and not boxes, "Defendant had no right to think plaintiff would acquiesce in the use of LEG LOOKS® in the FDM outlets." (Id. at 87).

The court respectfully disagrees. From the moment its marks L'eggs® and SHEER ENERGY® were registered, Plaintiff had rights in them of the scope described above. Its business decision to affix the phrase "L'eggs® SHEER ENERGY®" exclusively to pantyhose with eighty per cent nylon and twenty per cent spandex legs did not eradicate its right to affix the mark to 100% nylon pantyhose. Its business decision to distribute L'eggs® pantyhose primarily in food, drug, and mass merchandising stores did not eradicate its right to distribute them in any other retail setting. Since plaintiff registered its mark L'eggs® in 1970, Plaintiff has had the right to protect that mark from an infringing use on any type of pantyhose in any retail outlet.

Plaintiff's delay is not excused by its assertions that it was not until 1992 that the mark LEG LOOKS® was used on a "spandex product" distributed in the same "market" or "channels of trade which Sara Lee has carved out for its L'eggs® brand" (Pl.'s Resp. to Def.'s Obj. to Recommendation No. 4 at 50, filed Dec. 29, 1993). A court regulating commerce and trade defines the terms "competitive product" and "market" differently than a manufacturer or marketing pundit searching for new niches does.[20] For purposes of analysis in this case, the relevant market is composed of "goods that are reasonably interchangeable by buyers for the same purposes." 2 McCarthy, supra, § 24:06[1][b], at 24-42 (citing, inter alia, United States v. E.I. du Pont de Nemours & Co., 351 U.S. 377, 100 L. Ed. 1264, 76 S. Ct. 994 (1956) [cellophane

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[20] If it were otherwise, a market could be defined by the latter's self-serving choice to describe its product as having unique characteristics or to distribute a product only through a certain distributor or at a certain price. The "luxurious foreign automobile market" and the "basic domestic car market" would thus become distinct markets for trademark purposes. They are not. The law would recognize one market for goods of both kinds.

circulates with, inter alia, glassine, aluminum foil, and waxed paper in the market for flexible wrapping materials]; Brown Shoe Co. v. United States, 370 U.S. 294, 8 L. Ed. 2d 510, 82 S. Ct. 1502 (1962) [men's, women's and children's shoes each circulate in their own competitive market]).

As long as goods are functionally interchangeable, and buyers may thus substitute one for the other, their characteristics and selling price may vary and yet not remove any from the relevant market. See United States v. Continental Can Co., 378 U.S. 441, 450-58, 12 L. Ed. 2d 953, 84 S. Ct. 1738 (1964) (metal and glass containers compete in the same product market); du Pont, 351 U.S. at 396-400; cf. Worthington Foods, Inc. v. Kellogg Co., 732 F. Supp. 1417, 1436-38 (S.D. Ohio 1990) (breakfast cereal and breakfast meat substitutes are not in the same competitive market). Regardless of their composition, all of the goods encompassed by the trademark registration classification "pantyhose" share the same function of closely covering the legs with sheer knitted fabric. While an average consumer may tend to buy pantyhose of a certain color, style, and composition, her choice is governed by her current preferences for a certain look or feel rather than by necessity. Just as a metal can may be substituted for a glass jar and still serve the same primary purpose of packaging products, regardless of the consumer's "preference of one type of container over the other," Continental Can, 378 U.S. at 455, any pair of pantyhose may be substituted for any other and still serve the same primary purpose of closely covering the legs.[21] Cf. Kangol Ltd. v. Kangaroos U.S.A., Inc., 974 F.2d

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[21] One consumer testified that she "cannot" wear spandex pantyhose because they do not fit her "heavy legs." (Prelim. Inj. II Tr. Vol. II at 7). There is no evidence, however, that her discomfort is due to the composition rather than the construction or sizing of the pantyhose that she has tried. She, in fact, testified that although she avoids buying SHEER ENERGY® pantyhose she has tried other types of pantyhose

161, 163 (Fed. Cir. 1992) (no significant legal difference between "golf shirts" and other athletic shirts); Cullman Ventures, 717 F. Supp. at 135 (although related, wall calendars and appointment books are "designed to meet different consumer needs" and are not "product[s] which a consumer would substitute" for one another). These functionally interchangeable products are, therefore, properly considered competitive products per se.

Well-defined sub-markets may perhaps exist within a broad market. Indicia of such a sub-market include "recognition of the submarket as a separate economic entity, the product's peculiar characteristics and uses, unique production facilities, distinct customers, distinct prices, sensitivity to price changes, and specialized vendors." Brown Shoe, 370 U.S. at 325. Such a distinction is sometimes but not always made between wholesale and retail markets. Compare E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280 (9th Cir. 1992) (laches no bar to relief where junior user expanded from the wholesale cheese market to the retail cheese market) with World Carpets, Inc. v. Dick Littrell's New World Carpets, 438 F.2d 482 (5th Cir. 1971) (likelihood of confusion between interstate carpet wholesaler-manufacturer's mark and local carpet retailer's mark). In this case, however, both department stores and FDM stores distribute goods in the retail market. Cf. Banff, Ltd. v. Federated Dep't Stores, Inc., 841 F.2d 486, 487 (2d Cir. 1988) (referring to department stores as "retail stores that . . . sell [goods] to retail consumers").

Plaintiff's implicit contention that the "FDM market" is a sub-market within the retail market is unsubstantiated by the record. Plaintiff's assertion that "the demarcation between the FDM outlets and the department store outlets has been

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without confirming beforehand that they were not spandex. (Id. at 2-9 to -10).

chiseled in the market place by years of competition," even if true, relates only to the first and perhaps the last of the pertinent indicia of a sub-market. (Pl.'s Resp. to Def.'s Obj. to Recommendation No. 4 at 50). There is no evidence that pantyhose sold in FDM stores require sufficiently unique production facilities, are sold at sufficiently distinct prices, or are bought by sufficiently distinct groups of consumers to be considered a sub-market of pantyhose for purposes of trademark analysis.

Food stores, drug stores, what Plaintiff calls "mass merchandising stores," and department stores are all outlets retailing goods to the general public. See, e.g., Kenner Parker Toys, Inc. v. Rose Art Indus., Inc., 963 F.2d 350, 351 (Fed. Cir.) ("grocery stores, drug stores, department stores . . . and other retail outlets"), cert. denied, 121 L. Ed. 2d 126, 113 S. Ct. 181 (1992). Whether a certain outlet is a "food store" or a "drug store" may be determined by looking at the goods stocked in the outlet. Whether a certain store is a "department store" or a "mass merchandising store" is, however, debatable.[22] Compare McGraw-Edison Co. v. Walt Disney Prods., 787 F.2d 1163 (7th Cir. 1986) ("department stores such as K-Mart, Sears, Montgomery Ward, and Woolco-Woolworths") with Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L., 673 F. Supp. 1238, 1246 & 1249 (S.D.N.Y. 1987) (distinguishing "the mass department

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[22] Webster's Ninth New Collegiate Dictionary (1989) defines "department store" as a "store selling a wide variety of goods and arranged in several departments," and "mass" as "the body of people as contrasted with the elite . . . of or relating to the mass of the people <~ market>." At their inception in the late nineteenth century, department stores were the mass merchandising outlets of their day. A century later, "department stores" like Bloomingdale's or Belk still organize a wide variety of goods in several departments for sale to the general public, and "mass merchandisers" like Sears, K-Mart, or Wal-Mart do, too. They, along with food and drug stores, are retail outlets delivering goods to the average consumer.

store market--for example, such stores as Macy's, Bloomingdales[sic], Jorden[sic] Marsh," and "'first-tier' stores, for example, Bergdorf-Goodman, Nieman[sic]-Marcus, I. Magnum[sic]") and Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L., 677 F. Supp. 144, 145 (S.D.N.Y. 1987) (so-called "first-tier" stores should not be distinguished from other "up-scale, multi-branched department stores"). Even if there were clear-cut distinctions between "department stores" and "mass merchandising stores" as channels of trade, "the barrier between the two is sufficiently porous" to allow a manufacturer to move its product from one to the other with little difficulty. Charles of the Ritz Group Ltd. v. Quality King Distribs., Inc., 832 F.2d 1317, 1319-22 (2d Cir. 1987) (question whether market for fragrances sold in "department stores and boutiques" and market for fragrances sold in "discount stores, drug stores and low-end department stores" are distinct). Any distinctions that might be made between the two types of stores do not, therefore, support a finding that pantyhose sold primarily in either one of those channels circulate in a different market from pantyhose sold in the other.

Moreover, for purposes of determining whether there is a likelihood of confusion between two marks, a court considers a certain perspective. That is the perspective of an ordinary, average buyer of the products at issue, regardless of whether that person is presently or only potentially a consumer of the product. 2 McCarthy, supra, § 23.01[4][a]. In this case, the relevant customer is a female member of the general public. Because the perspective to be considered is that of the ordinary current or potential consumer, it makes no difference whether she has in the past tended to buy all of her everyday pantyhose, or only pantyhose for special occasions, or not pantyhose at all in any particular store.

Members of the general buying public frequent both department stores and FDM stores. Sometimes they park their cars in one parking lot at one shopping center and visit

the department store, drug store, and mass-merchandising store all contained in that shopping center. A woman who buys goods in department stores buys goods in FDM stores and vice versa. See, e.g., American Sugar Refining Co. v. Andreassen, 49 C.C.P.A. 782, 296 F.2d 783, 784 (C.C.P.A. 1961) (sugar and pet foods sold in supermarkets and department stores are both products "sold to the same buyers on the retail level"). Plaintiff has produced no evidence suggesting otherwise. The court finds it unrealistic to say that department stores and FDM stores are frequented by separate and isolated groups of consumers.

Furthermore, there is no evidence in the record as to any legally significant distinctness in price, characteristics, or quality between pantyhose distributed in department stores and pantyhose distributed in FDM stores. Plaintiff's own testimony that its pantyhose were the first "high quality branded" pantyhose to be sold in FDM stores rather than in department stores, belies that there are significant differences. (Prelim. Inj. I Tr. Vol. I at 49, filed Nov. 13, 1992).

Given the functional interchangeability of pantyhose, Plaintiff's successful marketing of L'eggs® pantyhose through FDM stores rather than department stores, and Defendant's current success with its pricing strategy, it would be unrealistic and flatly incorrect to find that low-cost pantyhose and high-priced pantyhose do not compete in the same market. Cf. Brown Shoe Co., 370 U.S. at 326 (refusal to divide the shoe market according to "price/quality" distinctions). The court, therefore, finds that the relevant market in this case is, and has always been, the national retail pantyhose market.

An analysis of the channels of trade in which certain products actually circulate is relevant in an inquiry into the likelihood of confusion between two marks because confusion can occur only if a buyer has been exposed to both

marks. Channels-of-trade analysis is one means of determining whether the same prospective purchaser might see products carrying both marks. Such an analysis was originally developed and undertaken primarily with regard to different goods. See 2 McCarthy, supra, § 24.06[4][a][iii], at 24-49; Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir.) (comparing manufacturer of optical and photographic products with manufacturer of electronics), cert. denied, 368 U.S. 820, 7 L. Ed. 2d 25, 82 S. Ct. 36 (1961); Exxon Corp. v. Texas Motor Exch., Inc., 628 F.2d 500 (5th Cir. 1980) (comparing petroleum products and automotive repair services). Some courts have explicitly extended the channels of trade analysis to cases regarding competing goods. See, e.g., Banff, 841 F.2d at 490. Other courts, however, made such an extension without directly acknowledging the distinctions between cases involving competing products and cases involving different but related products. See, e.g., Sun-Fun Prods. v. Suntan Research & Dev., Inc., 656 F.2d 186 (5th Cir. 1981) (applying Exxon factors to two marks for suntan preparations); Pizzeria Uno, 747 F.2d 1522 (applying Exxon/Sun-Fun factors to two marks for restaurants); Perini Corp. v. Perini Constr., Inc., 915 F.2d 121 (4th Cir. 1990) (applying Polaroid factors to two marks in construction business).

Regardless of the clarity with which courts have adopted a channels-of-trade analysis, however, many have recognized that such an analysis is only one of several factors, not all of which "are always relevant or equally emphasized in each case." Pizzeria Uno, 747 F.2d at 1527. In the balance, the competitive status of two parties' goods generally weighs strongly in the senior user's favor. See Banff, 841 F.2d at 492. If the confusion between the mark L'eggs® and the mark LEG LOOKS® were as automatic and dramatic as Plaintiff claims, common differences in the display, ambience, or cost of retail goods in department stores and FDM stores would have been no guarantee against

it. Cf. World Carpets, 438 F.2d at 488 (use of mark suggests expansion of wholesaler-manufacturer into the retail market).

The court is also satisfied that Defendant, who has acted in reliance on affirmative acts of Plaintiff, would be prejudiced if it were now prohibited from distributing pantyhose in its LEG LOOKS® lines through FDM stores. Defendant has maintained the mark continuously for at least ten years, albeit modestly at the turn of the decade. It has remained alert and asserted its right to protect that mark when the need arose. Within the last two years it committed itself to the revitalization of the mark not once, but twice. As the magistrate judge recognized, Plaintiff directly prejudiced Defendant by failing to raise the issue of the mark LEG LOOKS® per se during the 1992 preliminary injunction hearings. (Recommendation No. 4 at 130). Defendant and its retailers have already suffered the disruption of a recall. A withdrawal of LEG LOOKS® pantyhose from FDM stores would dramatically curtail Defendant's rights in its mark and would impair its ability to reinvest in and remarket its new line of pantyhose.

(3) Defendant's Good Faith

Having acted in good faith, Defendant may assert the defenses of estoppel by acquiescence and laches. Defendant's motives cannot be impugned by the appearance of the word "leg" in the mark LEG LOOKS®, which it has used since at least the early 1980's. It is reasonable and far from uncommon for a pantyhose manufacturer to choose a name that embodies its product's use. Similarities between the mark LEG LOOKS® and the mark L'eggs® virtually begin and end with the word "leg"; the former makes no allusion whatsoever to the egg at the core of Plaintiff's promotional imagery for the mark L'eggs®.

Nor can Defendant be taken to task for having chosen to use the mark on its new line of pantyhose. In using a name

already trademarked, Defendant chose a legitimate course. The court will neither substitute its own business judgment regarding naming new products nor infer anything more on Defendant's part than caution. Defendant's decision to continue to use the mark after the December 1992 court order permitting it is equally blameless.

In his November 1992 recommendation, the magistrate judge wrote that as Defendant had not sufficiently explained the reasons for the 1992 Package's similarity to the silver-grey SHEER ENERGY® economy boxes and difference from Defendant's previous packages, the court would infer from those similarities that Defendant intended to copy plaintiff's package. (Recommendation and Order of U.S. Magistrate Judge, filed Nov. 3, 1992). This recommendation was not specifically adopted by the court's order of December 19, 1992. If it had been, it would have been operative only for the purposes of the preliminary injunction.

The record now before the court shows that Defendant constructed a box of dimensions appropriate for one pair of pantyhose and that Defendant chose for that box colors it had used since the 1970's to denote pantyhose style or composition. Defendant is no more confined to its pouches nor the Color red for a "regular" style than Plaintiff to its egg or the color blue for "reinforced toe." (See, e.g., Prelim. Inj. II Pl.'s Ex. 10 [a test-marketed silver and lavender "reinforced toe" egg-topped SHEER ENERGY® box]). The record also shows that Defendant labelled the box on four sides with its own well-recognized No nonsense® logo, as Plaintiff had labelled its orange "Sheer To Waist" box with its L'eggs® logo.

The record fails to show that Defendant deliberately copied Plaintiff's trade dress or "'total image'" of its product. See M. Kramer Mfg. Co. v. Andrews, 783 F.2d 421, 448 n.25 (4th Cir. 1986) (quoting 1 McCarthy, supra, § 8:1, at 282-83 [2d ed. 1984]). Defendant has admitted to no more

than adopting one functional element, the dimensions of the front of Plaintiff's box. Cf. Osem Food Indus., Ltd. v. Sherwood Foods, Inc., 917 F.2d 161, 163 (4th Cir. 1990) (defendant had "admitted that it developed its first package by copying [plaintiff's] packaging"). The similarities between the front of the 1992 Package and the silver-grey SHEER ENERGY® economy box, much less those between the front of the 1993 Package and the silver-grey SHEER ENERGY® economy box, are not such that this court can find that they are "other than slight differences in color and shadings . . . identical," Kramer, 783 F.2d at 449, or "virtually identical," Osem, 917 F.2d at 163 n.3.

In light of Plaintiff's use of elements of Defendant's packaging, the court will not now infer from the similarities in dimension and color between the 1993 Package and the silver-grey SHEER ENERGY® economy box that Defendant acted in bad faith when it designed the 1993 Package. Furthermore, the court is satisfied that Defendant complied in good faith with the December 1992 order.

2. Challenging the Mark LEG LOOKS®

a. Grounds for a Challenge

Even if it were now permitted to raise its trademark claims, Plaintiff, as explained above in Sections III.B.1.a.(1) & (2), would have to rely on the state law trademark rights it had acquired in the mark L'eggs® prior to 1983. Section 1114, however, provides a remedy for the infringement of "a registered mark." 15 U.S.C. § 1114(1)(a). Section 1114 is not available to a party who has rights arising only from state trademark law and not from federal registration. The court questions whether Plaintiff can bring a Section 1114 challenge on the basis of its prior state law trademark rights in the mark L'eggs®. The issue need not be resolved, however, because "the North Carolina common law of unfair

competition in the context of trademarks and tradenames is similar to the federal law of trademark infringement." Polo Fashions, Inc. v. Craftex, Inc., 816 F.2d 145, 148 (4th Cir. 1987). Plaintiff has, moreover, brought claims against Defendant's use of the mark LEG LOOKS® under both Section 1114 and Section 1125(a), and the test of whether a mark or term is likely to cause confusion is substantially the same under both. Id. The court will therefore proceed to apply that test as it has been developed under federal law.

b. Likelihood of Confusion

To prevail on Section 1114 or Section 1125(a) claims, Plaintiff would have to show that the mark LEG LOOKS® is either a "reproduction, counterfeit, copy, or colorable imitation of [the] registered mark [L'eggs®]," 15 U.S.C. § 1114(1)(a), or a "word, term, name, symbol, or device," 15 U.S.C. § 1125(a)(1), which is likely to cause confusion as to the origin, sponsorship, or approval of the pantyhose to which it is affixed."[23]

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[23] 15 U.S.C. § 1114 reads in pertinent part:

> 1) Any person who shall, without the consent of the registrant--
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, . . . of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .
>
> shall be liable in a civil action by the registrant . . .

(emphasis added).

15 U.S.C. § 1125 reads in pertinent part:

In determining this question, the court considers several factors: the strength of Plaintiff's mark; the similarity of Plaintiff's and Defendant's marks; the similarity of the goods the marks identify; the similarity of the facilities in which they are sold and the media in which they are advertised; actual confusion; and Defendant's intent. Not all of these factors are necessarily relevant or equally weighted in each case. Pizzeria Uno, 747 F.2d at 1527.

(1) Strength of the Mark L'eggs®

Plaintiff's mark is probably the most famous of all marks affixed to pantyhose in this country. It is inherently distinctive and deserving of trademark protection.

(2) Similarity of the Marks

(a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, . . . which--

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods . . . by another person . . .
>
> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

(emphasis added).

Plaintiff's mark combines "leg" with "eggs," and Defendant's combines "leg" with "looks." These composite marks should be compared in their entireties. It is appropriate, however, when making this comparison, to give greater weight to the dominant part of a composite mark. Pizzeria Uno, 747 F.2d at 1530; see also 2 McCarthy, supra, § 23.15[3], at 23-90. This is particularly true when the weaker element of the mark is generic. Id. § 23.15[7], at 23-100 to -101. Of the two words in Plaintiff's mark, the dominant one is the one by which Plaintiff's packaging was exclusively identified until the late 1980's and upon which Plaintiff's promotions have always focused, the "egg."[24] The weaker element is the common, generic term "leg."

A term is generic if it is "the common descriptive name for a thing." Perini, 915 F.2d at 124. A term is also generic if it names a distinctive but universal characteristic of the genus to which the product belongs. See 1 McCarthy, supra, § 12.02[5], at 12-18; cf. Convenient Food Mart, Inc. v. 6-Twelve Convenient Mart, Inc., 690 F. Supp. 1457, 1462 (D. Md. 1988) ("convenient" is generic even though it is not "the generic term for [a] type of retailing industry"), aff'd without op. 870 F.2d 654 (4th Cir. 1989). It is sufficient that it refer, or relate,[25] to a whole group, class, or genus of which a particular product is a part. See Two Pesos, 112 S. Ct. at 2757 (citing Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 194, 83 L. Ed. 2d 582, 105 S. Ct. 658 [1985];

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[24] Note that the rights on which Plaintiff must rely to challenge Defendant's mark are those it had acquired in the mark L'eggs® as of 1983, the year Defendant registered LEG LOOKS®.

[25] "Relate" is a synonym of "refer." See Webster's Ninth New Collegiate Dictionary 989 (1989) (defining "refer" as "to have relation or connection: RELATE"); see also Black's Law Dictionary 617 (5th ed. 1979) (defining "generic" as "relating to or characteristic of a whole group or class; general, as opposed to specific or special").

Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9, 11 [2d Cir. 1976] ["Safari" is a generic term "referring to contemporary American fashion apparel" [emphasis added]); Dixi-Cola Labs., Inc. v. Coca-Cola Co., 117 F.2d 352, 358 (4th Cir.) ("cola" a generic term that "characterize[s] a class of drinks . . . called cola drinks"), cert. denied, 314 U.S. 629 (1941). A generic term "identifies the general nature of an article [rather than] its special characteristics." Dayton Progress Corp. v. Lane Punch Corp., 917 F.2d 836 (4th Cir. 1990) (the descriptive designators stood for three specific characteristics of defendant's punches: their grades, their specific functions, and the shapes of their tips). A term that identifies the product's "significant, functional characteristic" as no other commonly used alternative can is generic. A.J. Canfield Co. v. Honickman, 808 F.2d 291, 293 (3d Cir. 1986); see Beech-Nut, Inc. v. Warner-Lambert Co., 346 F. Supp. 547, 549 (S.D.N.Y. 1972) ("breath mints" freshens the breath; as used in "BREATH SAVERS" and "BREATH PLEASERS" the word "breath" is "free as air"), aff'd, 480 F.2d 801 (2d Cir. 1973). A term that is an abbreviation or shorthand reference to such a common characteristic is also generic. See American Cyanamid Corp. v. Connaught Labs., Inc., 800 F.2d 306, 307 (2d Cir. 1986) (both vaccines immunize against Haemophilus influenzae type b diseases, diseases for which one generic term is "hib"); In re Reckitt & Colman, Inc., 18 U.S.P.Q.2d (BNA) 1389 (T.T.A.B. 1991) ("perma press" is generic with respect to "permanent press" fabrics, articles of clothing, and soil and stain removers for use on those goods). Also generic is a misspelling or phonetic equivalent of a generic or common descriptive term. Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75 (7th Cir. 1977), cert. denied, 434 U.S. 1025, 54 L. Ed. 2d 772, 98 S. Ct. 751 (1978)

The word "leg," or, as it appears in Plaintiff's mark, "L'eg," meets all of these criteria with respect to pantyhose.

It is the name for the predominant and most functional parts of a pair of pantyhose. As Plaintiff has acknowledged, it is also the name for the parts of the anatomy that pantyhose necessarily cover. See Clairol, Inc. v. Roux Distrib. Co., 47 C.C.P.A. 1165, 280 F.2d 863, 865 (C.C.P.A. 1960) ("hair," which was added to the name "color bath" to more fully describe the function, characteristics, and use of the product, is a common word). "Leg" is also an abbreviation of "legwear," one of the generic terms that refers to the genus of apparel of which pantyhose are a part. The word relates, therefore, to the inherent nature of pantyhose generally, rather than to a special characteristic of a certain line of pantyhose--"invigorating" pantyhose, for example.

It would be difficult indeed for pantyhose manufacturers to identify their product to potential consumers if they were forbidden to use the common name of the essential part of their product and of the body part their product so closely fits. The word "so directly signifies the nature of the product that interests of competition demand that other producers be able to use [it]," and that no producer "effectively preempt competition by claiming that term as his own." Canfield, 808 F.2d at 304, 305. For all these reasons, the court stands firm in its finding that the word "leg" is generic with respect to pantyhose.

Even if "leg" were descriptive, the evidence is far from sufficient to show that "leg" per se has acquired a secondary meaning such that its "'primary significance . . . is to identify the source of the product rather than the product itself.'" Dayton Progress Corp., 917 F.2d at 839 (quoting Inwood Labs,Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.11, 72 L. Ed. 2d 606, 102 S. Ct. 2182 [1982]) (emphasis added). It is even less sufficient to show that such secondary meaning had arisen prior to 1977, when Defendant first used that term. See Perini, 915 F.2d at 125-26. Plaintiff's burden of proof on this issue is a heavy one and the evidentiary

requirements rigorous. See Thompson Medical Co. v. Pfizer, Inc., 753 F.2d 208, 217 (2d Cir. 1985); Eagle Snacks, Inc. v. Nabisco Brands, Inc., 625 F. Supp. 571, 582 (D.N.J. 1985). Plaintiff's enormous expenditures on advertising its mark L'eggs® are of limited probative value in this regard. See Braun, Inc. v. Dynamics Corp. of Am., 975 F.2d 815, 817 (Fed. Cir. 1992). Plaintiff has never made any attempt to create a separate commercial impression in the word "leg" apart from its appearance in the mark L'eggs®, let alone a successful one. Cf. Four Seasons Hotels Ltd. v. Koury Corp., 776 F. Supp. 240, 249 (E.D.N.C. 1991) (no right to use component of mark alone where all use had been of composite as a whole). Plaintiff has always used an egg and never a leg to symbolize the source of its product. As Plaintiff itself asserted when its mark was first challenged by the owner of the mark Mr. Leggs®, and has admitted since, numerous trademarks for apparel, particularly for hosiery, contain the word "leg." See Dixi-Cola Labs., 117 F.2d at 358 (numerous composite "cola" registrations). Plaintiff's mark L'eggs® is the most famous and widely distributed of those marks. The associations survey participants made between "leg" and "L'eggs," however, do not show that "leg" is protectable but rather that Plaintiff has achieved a high level of market dominance in this field. See A.J. Canfield, 808 F.2d at 294 n.2, 297.

The use of the same generic term in both marks cannot be the sole basis of a finding of trademark infringement when the other terms in the two marks are dissimilar. Banff, 841 F.2d at 492 (citing American Cyanamid, 800 F.2d at 308). As the word "leg" is generic, the emphasis of the inquiry into the similarities of the marks overall should be on the remaining non-generic portions of the marks. See 2 McCarthy, supra, § 23.15[7], at 23-100 to -101. Those portions include the remaining words "egg" and "looks" and the particular appearance of each mark. The court notes in that regard that the spelling and punctuation of

the marks are quite different, as are the sizes and styles of their fonts. Plaintiff's mark appears in the "distinctive logo form" of capital L, apostrophe, lower case e-g-g-s. (Prelim. Inj. II Def.'s Ex. 91 at 1). Defendant's mark appears in the all-capital form of L-E-G L-O-O-K-S. The court finds, therefore, that the marks are similar only in that they both begin with a capital "L", contain the generic word "leg," and end in "s." Those similarities are minimal and legally insignificant.

There is, therefore, no similarity between the marks that might generate the confusion against which the Lanham Act protects. Cf. Sweats Fashions, Inc. v. Pannill Knitting Co., 833 F.2d 1560 (Fed. Cir. 1987) (no likelihood of confusion between the marks within the meaning of 15 U.S.C. § 1052(d) despite the commonality of the generic word "sweats"); see also American Cyanamid, 800 F.2d at 309. The court therefore need not weigh the other factors considered in determining a likelihood of confusion. See id.; cf. Pizzeria Uno, 747 F.2d at 1530-34 (all factors considered where "Pizzeria" and "Taco" both disclaimed, but the common component "Uno" is both dominant and suggestive). For clarity, however, the court will do so.

(3) Similarity of the Goods

Plaintiff's and Defendant's products are virtually identical and circulate in the same market.

(4) Similarity of the Sales Facilities and Advertising

The parties' products are sold in a virtually identical manner. They appear in the same stores, in separate sections of the same hosiery centers, and sometimes on the same spinners, for the benefit of the same consumers. Although there is no evidence that Defendant has promoted LEG

LOOKS® pantyhose broadly in the national media, Defendant has advertised its other No nonsense® pantyhose in the media and to the same consumers as Plaintiff advertises its L'eggs® pantyhose.

As she selects pantyhose, a consumer usually locates the section of the rack containing the pantyhose she wants and then examines the packages to find her preferred color, size, and style. Sometimes she may decide to try a pair that catches her eye in the store and then examine the package to find her preferred color, size, and style.

The evidence shows, however, that it is hard to persuade that consumer to change the type of pantyhose she wears out of a preference for its comfort, fit, or durability. This suggests that, while pantyhose selection may take less than a minute, the average consumer will take care to find just the type of pantyhose that will be comfortable for as long as fourteen hours at a time.

Moreover, there is ample documentary and photographic evidence of the great variety of pantyhose packages displayed side-by-side in a hosiery center where consumers may easily compare them. See Nabisco Brands, Inc. v. Quaker Oats Co., 547 F. Supp. 692, 699 (D.N.J. 1982) (products so closely displayed as to afford the consumer opportunity for comparison). A consumer selecting pantyhose from a hosiery center has had to distinguish not only between Plaintiff's, Defendant's, and any of an outlet's own trade names or product names but also between dozens of different packages to find the type and style of pantyhose she wanted, let alone the color and size. Even though a pair of pantyhose might cost less than five dollars and be selected quickly, the reasonably prudent pantyhose consumer is necessarily practiced at noticing the distinctions between the numerous pantyhose names and packages.

(5) Evidence of Actual Confusion

The term "leg" is generic with respect to pantyhose and not an indication of their origin; therefore, any purported confusion between the mark LEG LOOKS® and the mark L'eggs® based on the term "leg" is not the type of confusion prohibited by Section 1114 or Section 1125(a). The consumers' testimony, employees' anecdotal evidence, and surveys presented at the hearing highlight only the degree to which the word "leg" has been associated with Plaintiff by virtue of Plaintiff's being, until recently, the only major national distributor of myriad lines of pantyhose under a composite "leg" mark. See 1 McCarthy, supra, § 12.15(1).

(6) Defendant's Intent

As explained above, Defendant acted in good faith when it first used the generic word "leg" on its "LEG LOOKS®" pantyhose in the late 1970's, when it registered its mark LEG LOOKS® in 1983, and when it chose to affix the mark to its new pantyhose in 1992 and again in 1993, after the 1992 preliminary injunction hearing during which Plaintiff brought before the court no objection to the use of the mark LEG LOOKS® per se.

(7) Conclusion

Defendant's use of the mark LEG LOOKS® violates neither 15 U.S.C. § 1114 nor § 1125(a).

C. Federal Trade Dress Claim

1. The SHEER ENERGY® Trade Dress and its Secondary Meaning

Plaintiff claims that Defendant's 1993 Package "imitate[s] and use[s] the L'EGGS SHEER ENERGY trade dress" in violation of 15 U.S.C. § 1125(a). (Pl.'s

Supplemental Compl. at 9, filed June 14, 1993).[26] To establish its claim, Plaintiff must show that: (1) the SHEER ENERGY® trade dress is distinctive of origin, either inherently or through the acquisition of secondary meaning; (2) the features of the SHEER ENERGY® trade dress allegedly appropriated by Defendant are primarily non-functional; and (3) the similarities between the 1993 Package and the SHEER ENERGY® trade dress are likely to cause confusion as to the source of the 1993 Package. Esercizio v. Roberts, 944 F.2d 1235, 1239 (6th Cir. 1991), cert. denied, 120 L. Ed. 2d 899, 112 S. Ct. 3028 (1992); see also Two Pesos, 112 S. Ct. at 2758.

The court must begin, therefore, by determining what the SHEER ENERGY® trade dress is. The term "trade dress" means "the total image or overall impression of plaintiff's product, package and advertising," which, in an infringement case, is compared with "the corresponding image or impression of defendant's product." 1 McCarthy, supra, § 8.01[1], at 8-1 to -2; Kramer, 783 F.2d at 448 n.25. Before the court are at least twelve different one-pair SHEER ENERGY® packages and at least twelve different two-pair SHEER ENERGY® economy packages. Such variety suggests to the court that there is no single "total" or "overall" SHEER ENERGY® trade dress, let alone a single SHEER ENERGY® economy box trade dress.

From among those packages, however, a certain identifiable SHEER ENERGY® trade dress emerges: an egg-shaped or egg-topped package, generally silver, with a contrasting slanted "L'eggs® SHEER ENERGY®" logo and thin slanting lines. Ten of the one-pair SHEER ENERGY®

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[26] Plaintiff acted promptly to supplement its complaint and include its Section 1125(a) trade dress claim soon after the 1993 Package appeared on the market. Plaintiff is therefore not estopped by laches from asserting its claim of trade dress infringement.

packages conform to that description. Pictures of one or the other of those packages have also been included on Plaintiff's SHEER ENERGY® economy boxes.[27]

The court is satisfied that the SHEER ENERGY® trade dress just described is distinctive of origin and entitled to protection. The design of the egg-shaped package, whether plastic or paperboard, is arbitrary and thus inherently distinctive, and there is ample evidence of the fame of the plastic egg-shaped package itself. There is also sufficient evidence to show that the silver egg-shaped and egg-topped SHEER ENERGY® packages have acquired secondary meaning by virtue of their long use, extensive sales, and widespread advertising. See Pizzeria Uno, 747 F.2d at 1528-29 n.3.

The court is not satisfied, however, that merely adding a representation of the distinctive SHEER ENERGY® trade dress to a rectangular box 3 inches high, 4 inches wide, and 4 inches deep is sufficient to endow that box with secondary meaning. To find that the inclusion of the mark L'eggs® or an egg silhouette is sufficient to lend secondary meaning to an entire package would enable Plaintiff, whose packages come in a staggering variety, to monopolize all the features of those designs simply by including among them its name and symbol. Cf. Rally's, Inc. v. International Shortstop, Inc., 776 F. Supp. 451, 456 (E.D. Ark. 1990) (while signs and logos are distinctive, no secondary meaning in trade dress where there are inconsistencies in the presentation of the "total package"),

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[27] For example, a black and pink economy box shows pictures of a pair of silver egg-shaped packages with green lettering, (Prelim. Inj. II Pl.'s Ex. 24); a purple, blue and green economy box shows pictures of a pair of silver egg-topped packages with green lettering, (Prelim. Inj. II Pl.'s Ex. 22); and the silver-grey economy boxes show silver-grey silhouettes of egg-shaped packages with green, blue, or white lettering, (Prelim. Inj. I Pl.'s Exs. 8 & 4; Prelim. Inj. II Pl.'s Ex. 13).

aff'd without op., 985 F.2d 565 (8th Cir. 1991); Mennen Co. v. Gillette Co., 565 F. Supp. 648, 653 (S.D.N.Y. 1983) (company, product name, and unusual shape of the container are package features recognized by consumers as indicative of source, but stripes are not), aff'd without op., 742 F.2d 1437 (2d Cir. 1984).

Especially given the variety of economy boxes in evidence, the court finds that the silver-grey economy box is not inherently distinctive of origin. Whether it has acquired secondary meaning by virtue of its long use, extensive sales, or widespread advertising remains to be determined. Since 1987, Plaintiff has made $ 100 million worth of sales in economy boxes, but it has also employed at least twelve different economy box designs. Cf. George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1536 (2d Cir.) (both length and exclusivity of package's use are relevant to the acquisition of secondary meaning), cert. denied, 121 L. Ed. 2d 445, 113 S. Ct. 510 (1992). While Plaintiff's advertising of the SHEER ENERGY® trade dress described above has been extensive, the advertising has never even featured, let alone emphasized, any economy box. In addition, only a limited amount of space on Plaintiff's racks is allocated to those packages. Finally, there is no evidence that consumers associate any particular economy box as a whole, rather than simply the egg or the mark L'eggs®, with Plaintiff.[28] Cf.

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[28] The record includes the following evidence relevant to the significance of the silver-grey economy box's trade dress:

> (1) According to one of Plaintiff's employees, one consumer said that L'eggs® pantyhose "come in a box and No nonsense® comes in a bag." (Prelim. Inj. II Tr. Vol. II at 52). It is not clear whether the box to which the consumer referred was Plaintiff's one-pair egg-topped box or an economy box or both.
>
> (2) Some participants in Plaintiff's Study #1 and some in the Rappeport study attributed their

Esercizio, 944 F.2d at 1239-40 (the whole exterior design and shape of Ferrari vehicles without identifying logos or symbols, had acquired secondary meaning). The court finds, therefore, that the silver-grey SHEER ENERGY® economy box has not acquired secondary meaning such that the primary significance of the box as a whole is to indicate its origin.

A package may, however, be presumed to have acquired secondary meaning if the package has been intentionally copied. Osem, 917 F.2d at 163. In November 1992, the magistrate judge recommended finding that Defendant intentionally copied the silver-grey economy box when it designed its 1992 Packages, and that the presumption of secondary meaning in the economy box should therefore arise. (Recommendation and Order of U.S. Magistrate Judge at 38). Even if that were so, however, Plaintiff would still have to prove the rest of its case with regard to the 1993 Packages.

2. Unprotectable Features

Functional features of a package are free for all to use and cannot serve as legally protectable indicia of origin. See 1 McCarthy, supra, §§ 7.28, 8.06; Two Pesos, 112 S. Ct. at 2758 ("eligibility for protection . . . depends on nonfunctionality.") Plaintiff therefore has the burden of

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associations of the green 1993 Package with the silver-grey and green SHEER ENERGY® economy box to similarities in packaging. In neither survey, however, were participants asked to identify the source of the economy box. To the extent that their responses do indicate that they associated the economy box with Plaintiff, it cannot be determined whether they made that association on the basis of the box's trade dress as a whole or merely on the basis of the appearance of the L'eggs® logo and egg on the economy box.

showing that the features Defendant allegedly appropriated from its SHEER ENERGY® trade dress are primarily nonfunctional. See Esercizio, 944 F.2d at 1239; AmBrit, Inc. v. Kraft, Inc., 812 F.2d 1531, 1538 (11th Cir. 1986) (plaintiff free to imitate functional tray with plastic overwrap but not overall appearance of defendant's wrapper), cert. denied, 481 U.S. 1041, 95 L. Ed. 2d 822, 107 S. Ct. 1983 (1987).

Plaintiff could easily meet that burden regarding the graphics on the 1993 Package if Defendant had appropriated Plaintiff's famous egg. Cf. AmBrit, 812 F.2d 1531 (defendant's blue and silver pebbled foil wrapper featured, among other elements, a polar bear on all fours before an angular geometric design). Apart from the legitimately chosen name "LEG LOOKS®," however, the features of the 1993 Package about which Plaintiff complains are the paperboard box's height and width and the background colors blue and green.[29]

A package feature is functional if it is "one of a limited number of equally efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection." Two Pesos, 112 S. Ct. at 2760 (citing Sicilia Di R. Biebow & Co. v. Cox,

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[29] Plaintiff has raised objection to Defendant's display of size information in a three-size shaded grid, but has presented no evidence that such a grid is anything but functional. Plaintiff's expert Dr. Miles also criticized the inclusion of Deskey's leg design on the 1993 Package, claiming that it evoked the "idea of L'eggs®." (Prelim. Inj. II Tr. Vol. III at 59). While photographs of women wearing pantyhose on their legs have been used on some SHEER ENERGY® packages, e.g., Prelim. Inj. II Pl.'s Ex. 12, Plaintiff has not asserted a right to such depictions. Such depictions, moreover, are commonly considered to be merely descriptive pictures of the product, or even "the graphic equivalent of [the product's] generic name such that anyone who can legally make or sell that product is entitled to use the picture of the product." 1 McCarthy, supra, § 7.14[2], at 7-60 to -61.

732 F.2d 417, 426 [sic: actually 429-30] [5th Cir. 1984]); Sunbeam Corp. v. Equity Indus. Corp., 635 F. Supp. 625, 636 (E.D. Va. 1986), aff'd without op., 811 F.2d 1505 (4th Cir. 1987). Functional efficiency of this sort may encompass principles of efficiency or economy in manufacture, handling, or suitability to the product in the container. See 1 McCarthy, supra, § 7.28[1]. The record contains many such reasons for choosing to package hosiery in a paperboard box, which both Plaintiff and Defendant have done since the 1980's. Inspection of a full 1993 Package and its comparison with a one-pair Legtricity® box and both Plaintiff's and Defendant's two-pair economy boxes shows furthermore that the dimensions of the 1993 Package are properly suited to the volume filled by one pair of pantyhose. The court is satisfied that a paperboard box approximately 4 inches high, 3 inches wide, and 2 inches deep is a functional design of a container for one pair of pantyhose. Were the court to hold otherwise, "the first user of a container such as the now-standard soup can, potato chip bag, or cracker box would be able to preclude competitors from using these highly functional containers." Keebler, 624 F.2d at 378.

The remaining feature is color: blue on Plaintiff's "reinforced toe" and Defendant's "regular" pantyhose packages and green on Plaintiff's "all sheer" and Defendant's "control top" pantyhose packages. The circuits are split as to whether color, per se, is protectable as an indication of source. Compare Qualitex Co. v. Jacobson Prods. Co., 13 F.3d 1297 (9th Cir. 1994) (not protectable), cert. granted, 63 U.S.L.W. 3214 (Oct. 4, 1994) and NutraSweet Co. v. Stadt Corp., 917 F.2d 1024 (7th Cir. 1990) (not protectable), cert. denied, 499 U.S. 983, 113 L. Ed. 2d 735, 111 S. Ct. 1640 (1991) with Master Distribs., Inc. v. Pako Corp., 986 F.2d 219 (8th Cir. 1993) (protectable) and In re Owens-Corning Fiberglas, 774 F.2d 1116 (Fed. Cir. 1985) (protectable). See also McCarthy, supra, §7.16, at 7-72 to -73. Even if color could, in some circumstances, be considered indicative of

origin, nothing in the record persuades the court that consumers identify the blue or green on SHEER ENERGY® packages as indicia of origin with Plaintiff rather than merely descriptive or indicative of pantyhose styles. Plaintiff's own research points out that while Defendant's brightly colored packages "really stand out" in consumers' minds, "the L'eggs display, which has so many more styles, is not able to use color so singularly." (Prelim. Inj. II Def.'s Ex. 129 at 00849). Given the spectrum of colors featured on SHEER ENERGY® pantyhose packages, the length of time Defendant has used green on its "control top" packages and blue on its packages of pantyhose made with spandex, and the ample and uncontraverted evidence that color functions to designate style not source, Plaintiff has failed to show that it has the exclusive right to use blue and green on pantyhose packages.

Because Plaintiff cannot claim an exclusive right to package pantyhose in a blue or green paperboard box 4 inches high and 3 inches wide, Plaintiff's claim of trade dress infringement fails. The court need not, therefore, determine whether consumers would be likely to confuse either the green or the blue 1993 package with either the silver-grey and green or silver-grey and blue SHEER ENERGY® economy box. For clarity, however, the court will do so.

3. Likelihood of Confusion

a. Defendant's Burden.

According to Plaintiff the magistrate judge's recommended finding of November 3, 1992, that Defendant intentionally copied Plaintiff's SHEER ENERGY® trade dress when it designed the 1992 Package coupled with the court's preliminary injunction order of December 1, 1992, amounted to a finding of intentional copying that in turn gave rise, pursuant to Osem, to a presumption of a likelihood

of confusion and placed upon Defendant the burden of designing any subsequent packaging in such a way as to avoid "any possible confusion" with Plaintiff's SHEER ENERGY® packages. (Pl.'s Resp. to Def.'s Obj. to Recommendation No. 4 at 34). In other words, Plaintiff suggests that the burden lies upon Defendant to show that the 1993 package is as different as it could be from the economy box. That might be true if the court's order of December 1, 1992, had been a final injunction, as had been issued in Osem and was directed to be issued in Chevron Chemical Co. v. Voluntary Purchasing Groups, 659 F.2d 695 (5th Cir. 1981), cert. denied, 457 U.S. 1126, 73 L. Ed. 2d 1342, 102 S. Ct. 2947 (1982). See id. at 705 ("'[A] competitive business, once convicted of unfair competition in a given particular, should thereafter be required to keep a safe distance away from the margin line'" [quoting Broderick & Bascom Rope Co. v. Manoff, 41 F.2d 353, 354 (6th Cir. 1930) (emphasis added)]).

Unlike those injunctions, however, the recommendation of November 3, 1992, and the court order of December 1, 1992, were preliminary, not final, findings. Preliminary findings maintain the status quo between parties before a final determination of the facts and merits of a case. See Wetzel, 635 F.2d at 286; Meiselman, 180 F.2d at 97; Poe, 374 F. Supp. at 1312. Furthermore, the Osem presumption is limited to cases where there is evidence not only of intent to copy trade dress features but also of intent to confuse consumers. Devan Designs, Inc. v. Palliser Furniture Corp., 25 U.S.P.Q.2d 1991, 2001 (M.D.N.C. 1992) (Osteen, J.), aff'd, 998 F.2d 1008 (4th Cir. 1993) (citing Anheuser-Busch, Inc. v. L. & L. Wings, Inc., 962 F.2d 316, 321 [4th Cir.], cert. denied, 121 L. Ed. 2d 147, 113 S. Ct. 206 [1992]). There is no such evidence in this case as to the design of either the 1992 or the 1993 Package. As of December 1, 1992, therefore, the court order defined the parameters of the constraints on Defendant's subsequent package designs.

There having been no final finding of intentional copying or an intent to confuse consumers, Defendant had no additional burden of choosing a design that stayed as far as possible from Plaintiff's.

As the discussion below will show, even if the court were now to find that Defendant had intentionally copied Plaintiff's SHEER ENERGY® trade dress when it designed the 1992 package, it is satisfied that the 1993 Package has been designed in such a manner as to forestall the accordance to Defendant of any of "the unfair advantage [it might] have previously enjoyed." Osem, 917 at 164 (citations omitted).

At issue in this trade dress case is whether it is likely that an appreciable number of reasonable, ordinarily attentive pantyhose purchasers will be confused as to the origin of the 1993 Package. See 2 McCarthy, supra, §§ 23.01[2], 23.27[4]. In determining that question, the court will consider the same factors as it considered in examining the trademark claim. See Polo Fashions, 816 F.2d at 148. Focusing on the SHEER ENERGY® trade dress and the 1993 package, the court will consider the following: the strength of the SHEER ENERGY® trade dress; the similarity of the SHEER ENERGY® trade dress and the 1993 Package; Defendant's intent with regard to the design of the 1993 Package; the similarity of Plaintiff's and Defendant's goods, sales facilities, and advertising; and any evidence of actual confusion on the part of consumers as to the origin of the 1993 Package.

(1) Strength of the SHEER ENERGY® Trade Dress

As discussed above, the SHEER ENERGY® trade dress embodied by the silver egg-shaped or egg-topped package with slanting L'eggs® SHEER ENERGY® logo and thin slanting lines is inherently distinctive and strong. The overall impression of the silver-grey SHEER ENERGY®

economy box, however, which merely includes a silhouette of the distinctive egg package, is not.

(2) Similarity of the Packages

According to the magistrate judge, despite "not insignificant differences in the appearance [of the 1993 Package]," the 1993 Package is confusingly similar to the SHEER ENERGY® trade dress because "the primary cause of the confusing similarity still exists, i.e. the Leg Looks® name." (Recommendation No. 4 of the U.S. Magistrate Judge at 110). As the court has explained, as the word "leg" is generic and available for any to use in connection with pantyhose, any confusion caused by Defendant's use of that word is not actionable. The word is part of each party's trade dresses, which in the context of this claim are compared in their entirety, as the parties' composite trademarks were. The court will, however, again discount the effects of the generic word "leg" as an element of Defendant's trade dress, as it did in examining the role of that word in the trademark claim.

Aside from the word "leg," the 1993 Package shares with the essential protectable SHEER ENERGY® trade dress only blue or green color coding and a three-size shaded grid that is common among pantyhose manufacturers. In addition to the color coding and the grid, the 1993 Package also shares with the silver-grey SHEER ENERGY® economy box height and width. Each of those common elements--the word "leg," color coding, the graph, and height and width--are generic, functional, or merely descriptive. None operate singly or even in combination as indicia of origin with Plaintiff.

Moreover, the original graphics on the face of the 1993 Package are quite different from the graphics on the silver-grey economy box. Centrally and prominently featured on the 1993 Package is a black shield incorporating a line drawing of a leg and "LEG LOOKS® INVIGORATING

PANTYHOSE By No nonsense®" in large white lettering. See Fig. 5(b). In comparison, centrally and prominently featured on the silver-grey economy box is a silver-grey silhouette of an egg package with "L'eggs® SHEER ENERGY® Pantyhose" in colored lettering. See Fig. 4. Furthermore, the 1993 Package displays the "LEG LOOKS® INVIGORATING PANTYHOSE By No nonsense®" logo on four sides of the six-sided box. See Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033, 1046 (2d Cir. 1992) ("the prominent presence of well known trade names goes far toward countering any suggestion of consumer confusion arising from any of the other . . . factors"); Edison Bros. Stores, Inc. v. Cosmair, Inc., 651 F. Supp. 1547, 1556 (S.D.N.Y. 1987) (close conjunction of house mark and trademark reduces similarity). As Plaintiff's experts acknowledged, it is neither the fault of Defendant nor evidence of illegitimate confusion if some consumers are indifferent to or ignorant of the distinction between L'eggs® and No nonsense®.

The court finds, therefore, that the 1993 Package is differentiated in general appearance from both Plaintiff's essential SHEER ENERGY® trade dress and the silver-grey SHEER ENERGY® economy box and incorporates no elements that might give Defendant an unfair advantage in the pantyhose market. What similarities there are between the 1993 Package and the SHEER ENERGY® trade dress or the silver-grey SHEER ENERGY® economy box do not support a finding of a likelihood of confusion.

(3) Defendant's Intent

When Defendant designed the 1993 Package, it created a package legitimately named "LEG LOOKS®," clearly marked "By No nonsense®," and prominently decorated with original graphics. The package is different not only from Plaintiff's SHEER ENERGY® trade dress but also

from the 1992 Package with which it shares only elements the court specifically permitted Defendant to use: "the name 'Leg Looks', . . . boxes of the same size, weight and shape . . . [and] the colors blue, green and orange to denote style of pantyhose." (Order and Prelim. Inj. Dec. 1, 1992). Those elements are, moreover, not in Plaintiff's exclusive domain, and "there is absolutely nothing legally or morally reprehensible about exact copying of things in the public domain." 2 McCarthy, supra, §23.34[2], at 23-215. The court will draw no conclusions as to Defendant's intent to capitalize on Plaintiff's reputation from the existence of common functional design features. See Cicena, Ltd. v. Columbia Telecommunications Group, 900 F.2d 1546, 1552 (Fed. Cir. 1990) (common features of transparency, neon lighting, and desk-type design do not support inference of intent to profit from plaintiff's reputation). As stated, there is no evidence that Defendant intended to confuse or deceive consumers, the intent that is the linchpin of the inference that confusion is likely. See Devan Designs, 25 U.S.P.Q.2d at 2001 n.7.

The court is satisfied that Defendant acted in good faith and in compliance with the letter and spirit of the December 1, 1992, court order and underlying law when it designed the 1993 Package. The equitable balance therefore does not tip in Plaintiff's favor on this point.[30]

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[30] Because Defendant had legitimate grounds for believing in the extent of its rights in its trademark LEG LOOKS®, because the word "leg" is generic and cannot be the basis for legally significant confusion, and because Miles was ignorant up until the 1993 hearing of Defendant's historical use of colors, the court discounts Miles' opinion as to Defendant's intent with regard to the naming and design of the 1993 Package.

(4) Similarity of the Goods, Sales Facilities, and Advertising

As discussed above, there are few, if any, significant differences between the parties' goods and methods of distribution, display racks, or advertising. Pantyhose consumers have long found a multitude of different products from both Plaintiff and Defendant right next to each other on unified hosiery racks where they can easily be compared. See Nabisco, 547 F. Supp. 692 (D.N.J. 1982) (clearly marked products displayed in proximity so as to afford consumers the opportunity for comparison); cf. Cullman, 717 F. Supp. at 130 ("because the stores generally only carry one company's line, the consumer will not see [the products] side-by-side and will not be able to compare [them.] . . . This increases the likelihood of confusion."). Plaintiff's own research found that the colors Plaintiff faults Defendant for putting on the 1993 Package helped Defendant's customers find the pantyhose they want. (See Prelim. Inj. II Def.'s Ex. 129 at 849). Defendant's research showed that it is hard to persuade a pantyhose wearer to try a different type of pantyhose--if she prefers pantyhose that give her legs extra support, she will be unlikely to try pantyhose that do not. Evidence such as this convinces the court that a pantyhose consumer is as accustomed to discriminating among pantyhose products as she is accustomed to examining pantyhose packages to find her preferred style, size, and color. The similarities between the products and the means by which they are distributed and advertised do not, therefore, tip the balance decidedly in favor of Plaintiff.

(5) Evidence of Actual Confusion

Like the other factors considered in a trade dress claim, actual confusion is not equally emphasized in each case. See Pizzeria Uno, 747 F.2d at 1527. For instance, in a

case in which a defendant had affixed to its product a plaintiff's "actual trademarks," the Fourth Circuit held that proof of actual confusion was not necessary to establish a likelihood of confusion. Shell Oil Co. v. Commercial Petroleum, Inc., 928 F.2d 104, 106, 108 (4th Cir. 1991). In contrast, where the marks defendants have used have not been identical, courts have held that "'isolated cases of confusion do not justify a finding that actual confusion is established nor warrant the entry of a judgment for damages.'" Citrus Group, Inc. v. Cadbury Beverages, Inc., 781 F. Supp. 386, 392 (D. Md. 1991) (quoting Harad v. Sears, Roebuck & Co., 204 F.2d 14, 19 [7th Cir.], cert. denied, 346 U.S. 914, 98 L. Ed. 410, 74 S. Ct. 374 [1953]). Plaintiff's expert Miles also acknowledged that as many as ten percent of consumers "would be confused about practically anything." Cf. Henri's Food Prods. Co. v. Kraft, Inc., 717 F.2d 352, 359 (7th Cir. 1983) (district court correctly found that 7.6% confusion finding is a factor weighing against infringement). Confusion on the part of those who are indifferent to trademarks, who select products on the basis of other competitive criteria (like price), or who are negligent or inattentive is, moreover, not considered to be probative of the issue. See 2 McCarthy, supra, § 23.01[4][[b], at 23-14; id. § 23.27[4] at 23-175.

(a) Consumers

As of the August 1993 hearing, Defendant had sold over 3.5 million 1993 packages, yet only four consumers testified at the hearing to having bought the 1993 package believing it contained L'eggs® pantyhose, and only one of those believed it contained SHEER ENERGY® pantyhose. Plaintiff's sales merchandisers testified at the hearing or in statements to another ten encounters with consumers who remarked on the 1993 Package. According to Plaintiff's expert Miles, the evidence showed that, primarily due to the

name LEG LOOKS®, consumers think the 1993 Package is "a value brand of L'eggs." (Prelim. Inj. II Vol. IV at 6, 20.) Several of those incidents, however, cannot be considered evidence of actual confusion as to source for trade-dress relevant reasons. In addition, the evidence coming from Plaintiff's employees rather than from consumers themselves may be discounted for uncertainty. See Inc. Publishing Corp. v. Manhattan Magazine, Inc., 616 F. Supp. 370, 389 (S.D.N.Y. 1985), aff'd, 788 F.2d 3 (2d Cir. 1986).

In all but two of the incidents the only trade dress feature referred to is the word "leg." As explained, confusion arising from Defendant's use of this generic term is not actionable confusion. An inquiry as to whether the pantyhose were made by L'eggs® shows merely that something about the package--probably the word "leg"--brought Plaintiff to mind. This is not sufficient to show that the consumer is actually confused as to the origin of the 1993 Package, but rather "that the questioner had the difference in mind or else would not have bothered even to enquire." 2 McCarthy, supra, § 23.02[d], at 23-32[2]; see also id. § 23.01[4][e]. Asking Plaintiff's merchandisers about the qualities or characteristics of the pantyhose might show merely that a merchandiser was available at the hosiery rack when the consumer had a question, not that the consumer sought out a L'eggs® merchandiser to ask about what she thought was a L'eggs® product. The consumer who said she thought "this was L'eggs" while looking at a K-Mart spinner of 1993 Packages could easily have been referring to the spinner and not the packages. (See Camplair Decl., filed Aug. 9, 1993).

Furthermore, other evidence in the record provides a reasonable explanation for the confusion. As both Falvin's testimony and Plaintiff's own business records show, a certain level of customer confusion as to the origin of products is usual in the pantyhose industry. Even before Defendant introduced "LEG LOOKS® Invigorating Pantyhose," Plaintiff had standard procedures for handling

complaints about and returns of pantyhose it had not manufactured.

Nothing in the records of returns made for fiscal year 1993 reflects that Defendant's use of the mark LEG LOOKS® on its new pantyhose was responsible for any more confusion of this sort than had occurred in fiscal year 1992. The fourteen incidents of alleged confusion in the record represent less than 1/100 of one per cent of all sales of 1993 Packages, and are only de minimis evidence that an appreciable number of consumers are likely to be confused as to the origin of the 1993 Package. See Nutri/System, Inc. v. Con-Stan Indus., Inc., 809 F.2d 601, 606 (9th Cir. 1987) (in light of both parties' high volume of business, the misdirection of several letters and checks was insignificant); Pan American World Airways, Inc. v. Panamerican School of Travel, Inc., 648 F. Supp. 1026, 1037 (S.D.N.Y.), aff'd without op., 810 F.2d 1160 (2d Cir. 1986). That a handful of consumers may have inquired about or indicated that they were confused by the 1993 Package does not persuade the court of the likelihood that an appreciable number of reasonably attentive consumers would be confused by the package.

(b) Store Personnel

The largest proportion of anecdotal evidence of confusion comes from Plaintiff's sales merchandisers who gave evidence of encounters with store personnel who asked them to handle the 1993 Packages or appeared confused about which products belonged on which shelves. For several reasons, this evidence is not sufficiently probative of consumer confusion caused by the 1993 Package's trade dress. First, like many of the alleged incidents of consumer confusion, the evidence comes from Plaintiff's employees rather than from the store personnel themselves. Second, the store personnel who did explain their errors to Plaintiff's

employees generally identified only the name LEG LOOKS® as the cause of their confusion. Third, Plaintiff's employees' testimony as to the rarity of confusion among store personnel about product handling and returns is counterbalanced by the testimony of Flavin and Defendant's sales merchandisers who said that it is commonplace. Finally, the evidence of confusion among store personnel is minimal: Plaintiff's sales merchandisers gave evidence of approximately twenty-five encounters with store personnel who asked them about the 1993 Package. Between the introduction of the 1993 Package and the August 1993 hearing, Plaintiff's sales merchandisers had made at least 800,000 store visits. Even if no more than a quarter of those visits had coincided with a display of the 1993 Package, the twenty-five encounters would have occurred on barely more than 1/100 of one per cent of all visits.

(c) Misshelving or Misspelling

As further direct evidence of actual confusion, Plaintiff offered accounts of a handful of instances of the 1993 Package being shelved on or near space typically reserved for Plaintiff's packages and about half a dozen misspellings or misplacements of signs displayed in association with the 1993 Package. The evidence about these incidents comes from Plaintiff's employees and includes no explanation from those responsible for the errors. It is, moreover, susceptible to various interpretations. For instance, at least one of the incidents involved the placement of a LEG LOOKS® spinner near a L'eggs® rack, (Pl.'s Br. Supp. Mot. for T.R.O. or Expedited Prelim. Inj. Ex. 8), and another involved the placement of 1993 Packages in a K-Mart spinner marked both "L'eggs®" and "No nonsense®," (id. Ex. 3). Defendant's pantyhose are almost always shelved near Plaintiff's, whether on an adjacent rack or on a shipper or spinner that can be moved about the aisle at a retailer's

convenience. A few clerical errors made by unidentified store personnel or outside advertisers are, moreover, not demonstrative of actual confusion among consumers. See Mushroom Makers, Inc. v. R.G. Barry Corp., 580 F.2d 44, 48 (2d Cir. 1978), cert. denied, 439 U.S. 1116, 59 L. Ed. 2d 75, 99 S. Ct. 1022 (1979).

(d) Mall-Intercept Surveys

As evidence relevant to the issue of the likelihood of confusion, both Plaintiff and Defendant offered survey evidence. Survey evidence is not direct evidence of actual confusion; it is circumstantial evidence. Surveys are experiments that yield data from which inferences about the likelihood of actual confusion may be drawn. 3 McCarthy, supra, § 32.54[1][a], at 32-235. The methodology of the experiment, the objectivity with which it was designed, and the accuracy of the reporting and analysis of the results all affect the kinds of inferences that can be drawn from the survey results and the weight that should be given them.

Both Plaintiff and Defendant offered non-probability sampling or "mall-intercept" surveys, which are commonly performed and generally admitted into evidence in trademark or trade dress cases. See 3 McCarthy, supra, § 32.48[2][b], at 32-207. The results of a non-probability survey, however, "cannot be statistically extrapolated to the entire universe." Id. at 32-208. Therefore, while "non-probability survey results may be admissible, they are weak evidence of behavior patterns in the test universe." American Home Prods. v. Barr Lab., Inc., 656 F. Supp. 1058, 1070 (D.N.J.), aff'd, 834 F.2d 368 (3d Cir. 1987). Surveys like these are, moreover, quite sensitive "to irrelevant factors and, as a result, [courts] need to be quite careful when determining what the surveys actually show." ConAgra, Inc. v. Geo. A. Hormel & Co., 784 F. Supp. 700 (D. Neb. 1992), aff'd, 990

F.2d 368 (8th Cir. 1993). Flaws in the surveys further reduce their probative value.

Plaintiff offers Study #1 as evidence that approximately thirty-seven per cent of consumers surveyed thought for reasons relevant to the trademark or trade dress of the 1993 Package that the pantyhose in the 1993 Package and the pantyhose in the SHEER ENERGY® economy box were made by the same, albeit unnamed or otherwise identified, company. Plaintiff offers Study #2 as evidence that approximately forty per cent of consumers surveyed thought, for reasons relevant to the trademark or trade dress of the 1993 Package, that the pantyhose in the 1993 Package were made by L'eggs® or another of Plaintiff's divisions.

Neither of these surveys is, however, sufficiently reliable for the court to accord the proffered results much weight. Both suffer from the same primary flaw: the selection of an inappropriate control. The grey-violet control-top "Jaclyn Smith® Silky Support" paperboard envelope was inappropriate for two significant reasons. First, the Jaclyn Smith® brand is far too well known in its own right. Choosing as a control a heavily advertised brand used on an entire line of women's clothing endorsed by a famous actress raises doubts as to the validity of using the survey results to make inferences about what proportion of consumers thinks that most if not all pantyhose are made by Plaintiff.

The grey-violet Jaclyn Smith® envelope was an inappropriate control also because it did not control for the word "leg," box height and width, or the color green. To properly screen for general background "noise," a control must be "a non-infringing product which is similar to the products at issue." ConAgra, 784 F. Supp. at 728 (emphasis added). It must also screen for the effect of elements to which the plaintiff has no proprietary rights. See id. at 731 ("the control was not effective to screen for the color green and the word 'healthy' or 'health,' understanding that [plaintiff] has no proprietary rights to the color green or the

word 'healthy' or its derivatives"). Having found that Plaintiff has no proprietary rights in the word "leg," box size, or the color green, the court finds that an appropriate control would screen for them and that the Jaclyn Smith® envelope did not.

The court discounts Plaintiff's surveys also because they insufficiently emulated market conditions. Cf. 3 McCarthy, supra, § 32.48[1], at 32-203 ("the closer the survey context comes to marketplace conditions, the greater the evidentiary weight it has"). First, the failure to control for the color green was compounded by the instruction that participants assume the pantyhose in the box shown to them were available in their style. Both Plaintiff's and Defendant's pantyhose of different styles come in boxes of different colors. Green 1993 Packages contain control-top pantyhose while silver-grey and green SHEER ENERGY® economy boxes contain all-sheer pantyhose. It was misleading to instruct the participants to assume that other styles of pantyhose would also come in the same box. Second, while removing the packages from view before asking participants about them prevents them from examining the boxes in greater detail than they might in a store, it also tends to test merely recall of the manufacturer dominant in the field.

Plaintiff's surveys were also designed to push participants into giving a desired response even if it did not immediately come to mind. In both, interviewers were instructed to "probe" for responses to supplement the answers that a participant first gave. In Study #1, probing for more answers is likely to have artificially inflated the reported results. In Study #2, probing for the names of more brands seems likely to have led consumers to name L'eggs®, the most famous of pantyhose brands, when they could think of no others. See Wendy's Int'l, Inc. v. Big Bite, Inc., 576 F. Supp. 816, 823 (S.D. Ohio 1983) (instructing interviewers to "probe" respondents for more answers "seems likely to have prodded more respondents to identify multiple sponsors than might otherwise be the case").

Furthermore, in Study #1, participants were asked whether they thought the two boxes were made by the same company but were not asked to name or otherwise identify that company. Plaintiff would have the court infer that all those who thought the products were made by the same company were thinking that Plaintiff was that company and that the 1993 Package alone was responsible for participants' association of the 1993 Package with the SHEER ENERGY® box. It is not only possible but also likely, however, that a portion of those consumers were thinking either of Defendant or of a company that they already believed makes both L'eggs® and No nonsense® pantyhose. As the responses given in Study #2 indicate, as many as twenty-four per cent of pantyhose consumers may think that both L'eggs® pantyhose and No nonsense® pantyhose are made by the same company, whether that company is Plaintiff, Defendant, or some other anonymous entity. This suggestion is corroborated by responses given in Study #1 and the Rappeport survey.

Plaintiff claims Study #2 faithfully follows the "classic formulation" of a monadic survey used in Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366 (7th Cir.), cert. denied, 429 U.S. 830, 50 L. Ed. 2d 94, 97 S. Ct. 91 (1976). (Pl.'s Resp. to Def.'s Obj. to Recommendation No. 4 at 45). Study #2 is very similar in that it asked participants to name the company they thought made the pantyhose and then to name other brands of pantyhose also made by that company. It is different, however, and significantly so, because it failed to ask participants why they named the company they did. In Ever-Ready, participants were asked, "Who do you think puts out the lamp shown here?" and "What makes you think so?", before they were asked to name other products also made by that company. Ever-Ready, 531 F.2d at 385. As Professor McCarthy notes, "responses to the 'why' question are [often] the most illuminating and probative part of a survey." 3 McCarthy, supra, §

32.50[4][b], at 32-223. If it had been asked here, the question would have elicited evidence probative of consumers' perceptions of the packages and of the relationship between Plaintiff and Defendant. The omission of that question from the survey, especially when considered in combination with the choice of an inappropriate control, makes it difficult to say with confidence what portion of the associations made in Study #2 between the 1993 Package and Plaintiff's company or brands is attributable to the appearance of the 1993 Package.

Finally, Plaintiff's surveys failed to offer participants the option of answering that they "don't know" the answers to the questions asked. When the "don't know" option is omitted, participants may tend to guess rather than admit that they do not know. Because L'eggs® is more well-known than No nonsense® is, it is likely that more participants who guessed would guess L'eggs® than would guess No nonsense®. "While one might assume that statistically forced answers would be distributed uniformly if enough respondents were forced to give answers, we do not know what the effect on this particular study is of the failure to give a 'don't know' option. Accordingly, the study must be viewed with caution." ConAgra, 784 F. Supp. at 734.

Defendant offers Rappeport's survey to rebut any inference that the trade dress of the 1993 Package infringes on the SHEER ENERGY® trade dress. According to Defendant, that survey shows a one per cent chance of the 1993 Package being associated with any SHEER ENERGY® package for trade dress-related reasons and a four per cent chance of it being associated with the SHEER ENERGY® economy box for trade dress-related reasons. If a reliable inference as to the likelihood of actual confusion could be drawn from those results it would be that such confusion would be legally insignificant. Defendant's survey is to some-degree more probative than Plaintiff's on the issue of infringement of the SHEER ENERGY® trade dress because

it incorporated both the silver egg-topped package and the silver-grey economy box rather than just the silver-grey economy box. In a sense, the Rappeport survey also controlled for the word "leg" by eliminating that word from the Defendant's package. It also controlled for the effect of color by putting SHEER ENERGY® packages and "Good Times" packages of different colors in the same arrays. The court, however, cannot assign much weight to this survey either, primarily because it eliminated the name LEG LOOKS® completely and thus did not test consumers' perceptions of the actual 1993 Package.

In sum, therefore, the surveys add little in the way of reliable evidence from which to infer the likelihood of actual confusion as to the origin of the 1993 Package. Even if, as Study #2 suggests, the rate of association made between the 1993 Package and Plaintiff's companies or products may be as much as twenty-two per cent higher than is normal between unrelated brands, the court cannot ignore evidence that from five to twenty-four per cent of consumers may not make a distinction between Plaintiff and Defendant or the source of L'eggs® products and the source of No nonsense® products. Plaintiff would have the court believe that the 1993 Package alone is the cause of that confusion. The combination of several other factors, however, could also easily be to blame: ten or twenty years of displaying Plaintiff's and Defendant's products side-by-side in the unified hosiery centers; K-Mart spinners labelled with both Plaintiff's and Defendant's marks; Plaintiff's use of orange and fuschia, especially in conjunction with the names Defendant had used on its products; Plaintiff's design of a paperboard box like Defendant's economy box; and Plaintiff's coupon campaign.

The direct evidence of actual confusion as to the origin of the 1993 Package caused by the 1993 Package as a whole is minimal and the circumstantial survey evidence is

too unreliable to serve as a basis for inferring that the trade dress of the 1993 Package is likely to cause such confusion.

(6) Conclusion

Considering: (a) the strength of the essential SHEER ENERGY® trade dress but the weakness of the silver-grey SHEER ENERGY® economy box trade dress; (b) the differences between the 1993 Package and both of those trade dresses; (c) Defendant's compliance with the December 1992 court order and good faith in designing the 1993 Package; (d) the historical necessity of discriminating among a myriad of packages of virtually identical pantyhose that are displayed and advertised in a virtually identical way; and (e) evidence of little, if any, actionable confusion, the court concludes that Plaintiff has not established a likelihood of confusion.

D. State Law Claims

1. Unfair Competition and Unfair Trade Practices

Plaintiff has raised claims against Defendant under both the North Carolina common law of unfair competition and the North Carolina statutory prohibition against "unfair methods of competition . . . and unfair or deceptive acts or practices in or affecting commerce." N.C. Gen. Stat. § 75-1.1 (1988).

"The North Carolina common law of unfair competition in the context of trademarks and tradenames is similar to the federal law of trademark infringement." Polo Fashions, 816 F.2d at 148. Under North Carolina law, as under federal law, the first user of a generic or generally descriptive term in the public domain may not restrain another from using that term. This is especially true when the other has affixed his own identifying name to that term. See

Charcoal Steak House, Inc. v. Staley, 263 N.C. 199, 139 S.E.2d 185 (1964). Having determined that Defendant's use of the word "leg" and package features in the public domain does not violate principles of federal law, the court also finds that it does not violate North Carolina common law.

Enacted as consumer-protection legislation designed to parallel and supplement Section 5 of the Federal Trade Commission Act, codified at 15 U.S.C. § 45(a)(1), N.C. Gen. Stat. § 75-1.1 creates a private cause of action broader than traditional common law actions in the areas of tort and contract. See Marshall v. Miller, 302 N.C. 539, 276 S.E.2d 397 (1981). There is no indication, however, that the North Carolina legislature intended Section 75-1.1 to displace the state common law of unfair competition in the context of trademark and trade dress, and the court has found no indication that a violation of Section 75-1.1 should be found where there was no violation of traditional state or federal principles of the law of trademark or trade dress. In addition, in a trade name case interpreting N.C. Gen. Stat. § 55-12(c) (1982), which prohibited the use of "deceptively similar corporate names," the Supreme Court of North Carolina clearly affirmed the applicability of "the salutary common law principle that generally descriptive phrases may not be exclusively appropriated in a trade name." Two Way Radio Serv., Inc. v. Two Way Radio, Inc., 322 N.C. 809, 818, 370 S.E.2d 408, 413 (1988) (citing Charcoal Steak House, 263 N.C. at 199, 139 S.E.2d at 185).

This court believes that the North Carolina courts would apply the same common law principle against the exclusive appropriation of terms and features in the public domain in determining whether Defendant's acts constitute an unfair or deceptive trade practice under Section 75-1.1. This court has found that Defendant's use of terms or package features in the public domain is neither unfair nor likely to cause confusion for which it can be held liable. This

court finds, therefore, that Defendant's conduct does not violate Section 75-1.1.

2. Trademark Dilution

A federal court hearing a claim arising under state law applies the choice of law rules of the state in which it sits. Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 85 L. Ed. 1477, 61 S. Ct. 1020 (1941). In North Carolina, the traditional rule for torts is that the courts apply the law of the place of injury. See, e.g., United Virginia Bank v. Air-Lift Assocs., 79 N.C. App. 315, 321, 339 S.E.2d 90, 93 (1986). In actions challenging trade practices, however, North Carolina's courts sometimes apply the law of the state having the most significant relationship to the allegedly tortious conduct. See, e.g., Andrew Jackson Sales v. Bi-Lo Stores, Inc., 68 N.C. App. 222, 314 S.E.2d 797 (1984). Under either test North Carolina law is controlling. Since the operations and activities of both Plaintiff and Defendant are directed from this state, North Carolina has a more significant relationship to the claim than any other jurisdiction. Similarly, because Plaintiff has its principal place of business in North Carolina, any alleged injury sustained as a result of Defendant's conduct occurs here. See, e.g., American Rockwool, Inc. v. Owens-Corning Fiberglas Corp., 640 F. Supp. 1411, 1426-28 (E.D.N.C. 1986). Because North Carolina does not appear to recognize the tort of trademark dilution, Plaintiff cannot recover on this claim.

IV. CONCLUSIONS OF LAW

1. Defendant's use of the mark LEG LOOKS® on pantyhose sold in FDM stores does not infringe on the mark L'eggs® in violation of 15 U.S.C. § 1114;

2. Defendant's use of the mark LEG LOOKS® on the 1993 Package does not constitute false designation of origin in violation of 15 U.S.C. § 1125(a):

3. Defendant's use of the 1993 Package does not constitute false designation of origin in violation of 15 U.S.C. § 1125(a);

4. Defendant's use of the mark LEG LOOKS® or the 1993 Package does not constitute common law unfair competition;

5. Defendant's use of the mark LEG LOOKS® or the 1993 Package does not constitute unfair trade practices in violation of N.C. Gen. Stat. § 75-1.1;

6. Because North Carolina does not appear to recognize the tort of trademark dilution, Plaintiff cannot recover on this claim; and

7. Defendant's use of the mark LEG LOOKS® or the 1993 Package will not be enjoined.

Because the findings and conclusions reached here may impact upon Defendant's severed counterclaims, and Plaintiff's responses thereto, the court will allow the parties thirty (30) days from the date of this decision to file a position statement as to the status of the counterclaims and any proposals for their disposition. The court will then make a determination as to whether additional briefing or argument is appropriate.

A judgment in accordance with this memorandum opinion shall be entered contemporaneously herewith.

/s/Frank W. Bullock
United States District Judge

October 13, 1994

V. APPPENDIX

Fig. 1(a)

Fig. 1(b)

Fig. 1(c)

Fig. 2(a)

Fig. 2(b)

A-152

Fig. 3

A-5358

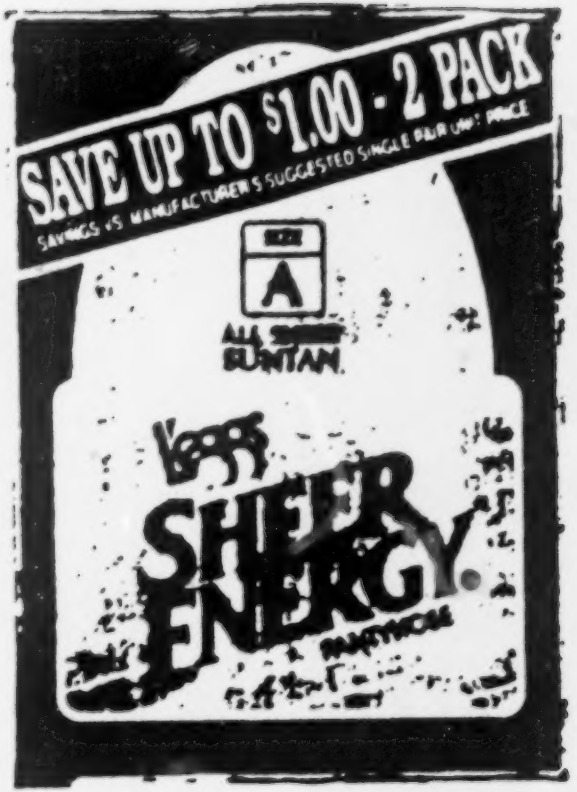

Fig. 4 L'eggs SHEER ENERGY
silver-grey economy box

Fig. 5(a) 1992 Package

Fig. 5(b) 1993 Package

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

FILED May 24, 1996
ENTERED MAY 24, 1996

No. 94-2562
CA-92-460-6

SARA LEE CORPORATION
Plaintiff - Appellant

v.

KAYSER-ROTH CORPORATION
Defendant - Appellee

On Petition for Rehearing with
Suggestion for Rehearing In Banc

Appellee filed a petition for rehearing with suggestion for rehearing in banc.

Judges Hall and Wilkins voted to deny the petition for rehearing. Judge Widener dissented.

A member of the Court requested a poll on the suggestion for rehearing in banc, and a majority of the judges voted to deny rehearing in banc. Judges Widener and Niemeyer voted to rehear the case in banc, and Chief Judge Wilkinson and Judges Russell, Hall, Murnaghan, Ervin, Wilkins, Hamilton, Luttig, Williams, Michael and Motz voted against rehearing in banc.

The Court denies the petition for rehearing with suggestion for rehearing in banc.

Entered at the direction of Judge Hall for the Court.

For the Court,
/s/ Bert M. Montague
Clerk

§ 1057. Certificates of registration

(a) Issuance and form

Certificates of registration of marks registered upon the principal register shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office, and shall be signed by the Commissioner or have his signature placed thereon, and a record thereof shall be kept in the Patent and Trademark Office. The registration shall reproduce the mark, and state that the mark is registered on the principal register under this chapter, the date of the first use of the mark, the date of the first use of the mark in commerce, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the Patent and Trademark Office, and any conditions and limitations that may be imposed in the registration.

(b) Certificate as prima facie evidence

A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate subject to any conditions or limitations stated in the certificate.

(c) Application to register mark considered constructive use

Contingent on the registration of a mark on the principal register provided by this chapter, the filing of the

application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing --

> (1) has used the mark;
>
> (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
>
> (3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 1126(d) of this title to register the mark which is pending or has resulted in registration of the mark.

(d) Issuance to assignee

A certificate of registration of a mark may be issued to the assignee of the applicant, but the assignment must first be recorded in the Patent and Trademark Office. In case of change of ownership the Commissioner shall, at the request of the owner and upon a proper showing and the payment of the prescribed fee, issue to such assignee a new certificate of registration of the said mark in the name of such assignee, and for the unexpired part of the original period.

(e) Surrender, cancellation, or amendment by registrant

Upon application of the registrant the Commissioner may permit any registration to be surrendered for cancellation, and upon cancellation appropriate entry shall be

made in the records of the Patent and Trademark Office. Upon application of the registrant and payment of the prescribed fee, the Commissioner for good cause may permit any registration to be amended or to be disclaimed in part: *Provided,* That the amendment or disclaimer does not alter materially the character of the mark. Appropriate entry shall be made in the records of the Patent and Trademark Office and upon the certificate of registration or, if said certificate is lost or destroyed, upon a certified copy thereof.

(f) Copies of Patent and Trademark Office records as evidence

Copies of any records, books, papers, or drawings belonging to the Patent and Trademark Office relating to marks, and copies of registrations, when authenticated by the seal of the Patent and Trademark Office and certified by the Commissioner, or in his name by an employee of the Office duly designated by the Commissioner, shall be evidence in all cases wherein the originals would be evidence; and any person making application therefor and paying the prescribed fee shall have such copies.

(g) Correction of Patent and Trademark Office mistake

Whenever a material mistake in a registration, incurred through the fault of the Patent and Trademark Office, is clearly disclosed by the records of the Office a certificate stating the fact and nature of such mistake, shall be issued without charge and recorded and a printed copy thereof shall be attached to each printed copy of the registration certificate and such corrected registration shall thereafter have the same effect as if the same had been originally issued in such corrected form, or in the discretion of the Commissioner a new certificate of registration may be

issued without charge. All certificates of correction heretofore issued in accordance with the rules of the Patent and Trademark Office and the registrations to which they are attached shall have the same force and effect as if such certificates and their issue had been specifically authorized by statute.

(h) Correction of applicant's mistake

Whenever a mistake has been made in a registration and a showing has been made that such mistake occurred in good faith through the fault of the applicant, the Commissioner is authorized to issue a certificate of correction or, in his discretion, a new certificate upon the payment of the prescribed fee: *Provided,* That the correction does not involve such changes in the registration as to require republication of the mark.

§ 1064. Cancellation of registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this chapter.

(2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition

to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title.

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production of marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

§ 1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That --

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated on the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant --

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this subsection, the term "any person" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State

acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) of this title shall be limited as follows:

> (A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.
>
> (B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of Title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this

subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D) As used in this paragraph --

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such

affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or

(C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

Supreme Court, U.S.
FILED
SEP 30 1996
CLERK

No. 96-321

In The

Supreme Court of the United States

October Term, 1995

KAYSER-ROTH CORPORATION,

Petitioner,

vs.

SARA LEE CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fourth Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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19 pp

LIST OF PARENT COMPANIES AND NON-WHOLLY OWNED SUBSIDIARIES

Pursuant to Supreme Court Rule 29.6, Respondent Sara Lee Corporation advises that it has no parent company, and that it owns an interest in the following non-wholly owned subsidiaries:

Consolidated Foodservice Companies Limited Partnership
Eden Yarns, Inc.
Gullwing Productions, L.L.C.
JP Foodservice, Inc.
Lyon's Restaurants, Inc.
Playtex Marketing Corporation

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent Sara Lee Corporation ("Sara Lee") respectfully requests that the Court deny the Petition of Kayser-Roth Corporation ("Kayser-Roth") for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fourth Circuit in this case.

SUMMARY OF THE ARGUMENT

Kayser-Roth's Petition is an attempt to create issues for review where none exist. Kayser-Roth reads the opinion below to hold that the use of generic words can be enjoined as a matter of trademark law, when in reality the Fourth Circuit held that the use of "leg" as part of a trademark on pantyhose can be enjoined because it is *not* generic for pantyhose. No issue of restrictions on the right to use generic terms is presented in this case.

The opinion below did not purport to limit Kayser-Roth's incontestable *registration* for Leg Looks® in any way. It simply enjoined Kayser-Roth's *use* of the registered mark in such a way as to infringe the senior L'eggs® mark, a result which follows from the express language of the Lanham Act. The district court itself so found in a portion of its opinion which Kayser-Roth did not challenge on appeal.

The Fourth Circuit did not improperly reweigh the facts. It applied the established "clearly erroneous" standard of review and reversed the district court's conclusions on likelihood of confusion and estoppel because

those conclusions were premised on fundamental errors of law.

REASONS FOR DENYING THE WRIT

I. THE FOURTH CIRCUIT'S DECISION DOES NOT SUGGEST THAT GENERIC TERMS ARE SUBJECT TO TRADEMARK PROTECTION

Kayser-Roth attempts to manufacture an issue for review of the Fourth Circuit's decision in this case by mischaracterizing that decision and the basis for it. Kayser-Roth contends that the Fourth Circuit did not disturb the district court's conclusion that the term "leg" is generic for pantyhose, but nonetheless inexplicably ruled that Kayser-Roth should be enjoined from using that generic term.

That is not what the Fourth Circuit did. It simply ruled that "leg" as applied to pantyhose is *not* a generic term, as a fair reading of its opinion plainly reveals.

The Fourth Circuit began by recognizing that the term "leg" is "an intrinsic part of Kayser-Roth's Leg Looks® mark, and almost certainly the source of any confusion between" the two competing marks. 81 F.3d at 465. It then stated, "According to the district court, because the word 'leg' is generic, it may legally be used as part of an otherwise non-infringing pantyhose trademark." *Id.* The court then stated emphatically, "We disagree." *Id.*

Kayser-Roth argues that the Fourth Circuit's "disagreement" was with the well-settled legal proposition

that generic terms may not be protected as trademarks, rather than with the district court's plainly erroneous conclusion that "leg" is a generic term for pantyhose. This reading is completely untenable. Earlier in its opinion, the Court of Appeals manifested a clear understanding of the non-protectability of generic terms: " 'Generic' terms are the common name of a product or service itself, and can never be trademarks." 81 F.3d at 464. The Court went on in a footnote to define genericness clearly and correctly:

> A mark is generic if it "denominate[s] a type, kind, genus, or subcategory of goods." *Dayton Progress [Corp. v. Lane Punch Corp.*, 917 F.2d 836 (4th Cir. 1990)] at 839 (quoting *G. Heileman Brewing Co. v. Anheuser Busch, Inc.*, 873 F.2d 985, 997 (7th Cir. 1989)). In other words, a generic term "identifies the general nature of an article." *Dayton Progress* at 839 (citation and internal quotation marks omitted).

81 F.3d at 464 n. 10.

The Fourth Circuit obviously understood the concept of genericness in trademark law, and certainly grasped the rudimentary principle that trademark law does not constrain the use of generic terms. The basis of the Fourth Circuit's disposition was simply that L'eggs®, as well as "legs," the "common word" to which L'eggs® is "phonetically identical," *id.* at 465, is not generic:

> L'eggs® does not denominate a type or genus of goods, nor does it name a distinctive characteristic of pantyhose in general. *See* note 10, *supra* [setting out the definition of genericness]. A different case would be presented if the mark

> at issue were "Pantyhose" or "Stockings" (type or genus) or "Nylons" (characteristic).

Id.

In its Petition, Kayser-Roth makes no attempt to defend the district court's conclusion that "leg" is generic for pantyhose, nor does it question the well-established definition of genericness applied by the Fourth Circuit, that a mark is generic only if it "denominate[s] a type, kind, genus or subcategory of goods." 81 F.3d at 464 n. 10. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (generic terms "refer to the genus of which the particular product is a species," *quoting Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985)).

"Leg" no more denominates a type, kind or genus of pantyhose than "head" denominates a type, kind or genus of hat. The Fourth Circuit's resolution of the genericness issue was clearly correct, and thoroughly undercuts Kayser-Roth's entire argument on this point. Because no generic term is at stake in this case, the principle extolled by Kayser-Roth that generic terms should be free for all to use is in no way implicated, and there is no conflict with decisions from other circuits which recognize that principle. Kayser-Roth has simply attempted to manufacture a phantom issue which is not presented on this record.

II. THE DECISION OF THE FOURTH CIRCUIT PROPERLY DIRECTED THAT KAYSER-ROTH'S INFRINGING USE OF ITS MARK BE ENJOINED

Kayser-Roth next argues that by directing the entry of an injunction to prohibit Kayser-Roth from continuing its infringing use of the Leg Looks® mark, the Fourth Circuit "depart[ed] from the registration scheme of the Lanham Act by denying Kayser-Roth the benefits of its incontestable registration without requiring a showing that any of the statutory exceptions to incontestability exist." Petition at 11.

Kayser-Roth's argument is founded on the incorrect premise that an incontestable registration under the Lanham Act confers an open-ended and unassailable right to *use* the registered mark in any manner imaginable.[1] One need only read the text of the Lanham Act itself to detect the fallacy in this position. Section 15 provides in pertinent part that when the specified requirements are met, a registered mark becomes incontestable

> except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of

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[1] The only cases cited by Kayser-Roth in support of its argument are decisions from the Trademark Trial and Appeal Board and from the appellate courts which review those decisions, and all were addressing the issue of whether limitations could or should be placed on a *registration*. *See* Petition at 11-13, and cases there cited. None of those cases concerned limitations on the *use* of a registered mark, which is the issue here.

> registration under this Act of such registered mark.

15 U.S.C. § 1065. Similarly, § 33(b), which enumerates the presumptions which flow from incontestability, explicitly declares that the conclusive presumption of a registrant's exclusive right to use the registered mark in commerce exists only "[t]o the extent that the right to use the registered mark has become incontestable under section 15." 15 U.S.C. § 1115(b).

The import of these statutory provisions is clear: notwithstanding the existence of an incontestable registration, where a competing mark has been used throughout the country since before the issuance of the registration, the registration is not incontestable with respect to that senior mark. *Cuban Cigar Brands N.V. v. Upmann International, Inc.*, 457 F.Supp 1090 (S.D.N.Y. 1978), *affirmed* 607 F.2d 995 (2d Cir. 1979). *See also* 2 McCarthy, *Trademarks and Unfair Competition* § 26:19 at 26-91 (3d ed., Release 9, 1996) ("If the senior user had used the mark nationwide prior to the junior user's first use, . . . the registration is not incontestable to any extent as against the senior user.")

In the present case, the district court found, based on undisputed evidence, that

> Plaintiff has used the mark L'eggs® on pantyhose, the products at issue in this case, continuously since the early 1970's. Since 1974, Plaintiff has distributed those pantyhose nationally. . . . The court finds that by virtue of this nationwide use Plaintiff acquired state law rights in its mark L'eggs® throughout the

> United States before Defendant registered the mark LEG LOOKS® in 1983.

Appendix to Petition for Writ of Certiorari at A-98. As a result, the district court correctly concluded that Kayser-Roth's Leg Looks® registration was *not* incontestable as against Sara Lee's L'eggs® mark, and that Sara Lee was free to challenge Kayser-Roth's infringing use. *Id.* at A-99.

The Fourth Circuit did not find it necessary to mention this issue in its opinion for the simple reason that Kayser-Roth failed to raise the issue on appeal. *See, e.g., Tucker v. Waddell*, 83 F.3d 688, 690 n. 1 (4th Cir. 1996) (issue not addressed in briefs or at oral argument deemed abandoned).[2] In fact, in its brief before the Fourth Circuit, Kayser-Roth discussed the ruling of the district court on this point with apparent approval, and certainly never questioned its correctness. *See* Brief of Appellee Kayser-Roth Corporation filed February 16, 1995, at 26.

Under these circumstances, the issues which Kayser-Roth attempts to raise are plainly without substance. The Fourth Circuit did no more than direct entry of an injunction restraining Kayser-Roth's infringing use. This was not because the Fourth Circuit believed that Kayser-Roth's incontestable registration was limited only to certain channels of trade. Rather, it was because the Lanham

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[2] Kayser-Roth's failure to advance this argument before the Fourth Circuit should also preclude it from pursuing the issue before this Court. *Zobrest v. Catalina Foothills School Dist.*, 509 U.S. 1, 8, 113 S.Ct. 2462, 2466, 125 L.Ed.2d 1, 10 (1993) ("Where issues are neither raised before nor considered by the Court of Appeals, this Court will not ordinarily consider them," *quoting Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 147 n. 2, 90 S.Ct. 1598, 1603, 26 L.Ed.2d 142 (1970)).

Act itself explicitly provides that Kayser-Roth's registration is not incontestable with respect to *any* infringing use of the mark as against the senior L'eggs® mark. Far from "undermin[ing] the integrity of the registration system," Petition at 13, the Fourth Circuit's decision simply applied the express words of the Lanham Act in the same way the district court had done, a disposition which Kayser-Roth failed to challenge on appeal.

III. THE FOURTH CIRCUIT APPLIED THE CORRECT STANDARD OF APPELLATE REVIEW

Kayser-Roth claims that the Fourth Circuit applied an incorrect standard of appellate review, arguing that the Fourth Circuit's comment that it was left with a "definite and firm conviction that a mistake has been made" by the district court, 81 F.3d at 468, constituted a "more liberal standard of review" than what Kayser-Roth says is dictated by this Court's decision in *Anderson v. City of Bessemer City*, 470 U.S. 564, 105 S.Ct. 1504, 84 L.Ed.2d 518 (1985). Petition at 14. Kayser-Roth urges that invocation of this supposedly overbroad standard led the Fourth Circuit improperly to reverse factual findings relating to likelihood of confusion and estoppel. *Id.* at 15-20. Kayser-Roth's arguments are entirely without merit.

A. The Fourth Circuit Applied The Standard Of Review Mandated By This Court In *Anderson* And Subsequent Decisions

Kayser-Roth's argument that the decision below applied an incorrect standard of review is difficult to fathom. The Fourth Circuit certainly recognized that it

was bound by the "familiar" standard of Rule 52(a), F.R.Civ.P., that the district court's findings of fact may be set aside "only if they are clearly erroneous." 81 F.3d at 460. At the conclusion of its opinion, the court stated:

> [W]e cannot help but be left with a "definite and firm conviction that a mistake has been made." *Pizzeria Uno [Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984)] at 1526. The court's finding is clearly erroneous; we are thus constrained to overturn it.

81 F.3d at 468.

Kayser-Roth's argument that this formulation is in some way inconsistent with this Court's opinion in *Anderson* is simply wrong. Indeed, the *Anderson* Court explicitly declared exactly the opposite:

> [C]ertain general principles governing the exercise of the appellate court's power to overturn findings of a district court may be derived from our cases. The foremost of these principles, as the Fourth Circuit itself recognized, is that "[a] finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with a definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948).

Anderson, 470 U.S. at 573. On at least two more recent occasions, this Court has reaffirmed the correctness of this formulation. *See Concrete Pipe and Products of California, Inc. v. Construction Laborers Pension Trust for Southern California*, 508 U.S. 602, 623, 113 S.Ct. 2264, 2279, 124

L.Ed.2d 539 (1993) ("[R]eview under the 'clearly erroneous' standard is significantly deferential, requiring a 'definite and firm conviction that a mistake has been committed.' "); *Sawyer v. Whitley*, 505 U.S. 333, 346, 112 S.Ct. 2514, 2522, 120 L.Ed.2d 269 (1992) ("[a] finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed," *quoting Anderson* and *United States Gypsum Co., supra*).

The standard of review articulated by the Fourth Circuit is precisely that set out in *Anderson* and subsequent decisions of this Court.

B. The Fourth Circuit Did Not Improperly Reverse Factual Findings As To Likelihood Of Confusion

Kayser-Roth argues that, with respect to the issue of likelihood of confusion, the Fourth Circuit substituted its view of the evidence for that of the district court. Petition at 15-18. Once again, Kayser-Roth simply mischaracterizes the disposition below. One will scan the opinion of the district court in vain for any explicit finding that there is no likelihood of confusion between the two competing marks. Rather, the district court concluded that the substantial degree of confusion shown, as had already been found by the Magistrate Judge in his Recommendation, JA-5201,[3] was not actionable because "leg" was supposedly generic. *See, e.g.*, Appendix to Petition for Writ of

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[3] References are to the Joint Appendix prepared for and filed with the Court of Appeals. The Magistrate Judge presided

Certiorari at A-122 (holding that because the term "leg" is supposedly generic, "any purported confusion between [the two marks] based on the term 'leg' is not the type of confusion prohibited by" the Lanham Act).

With this legal error corrected, even the district court's findings compel a conclusion of likelihood of confusion as a matter of law. *See id.* (acknowledging that the "consumers' testimony, employees' anecdotal evidence and surveys" serve to "highlight" the "degree to which the word 'leg' has been associated with" Sara Lee's L'eggs® products).

The Fourth Circuit's rejection of a "finding" of no actionable confusion which so plainly depended on legal error was obviously proper, and in no way trenched on the district court's fact-finding function. *See Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1526 (4th Cir. 1984) (appellate court owes no deference to the district court's findings if they result from a misapplication of the law); *Smith v. Hightower*, 693 F.2d 359, 370 n. 29 (5th Cir. 1982) (clearly erroneous rule does not apply when "an improper legal standard, or a proper one improperly applied, is utilized by a District Court in arriving at its findings").

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over the ten day evidentiary hearing, during which time he heard the live testimony of the confusion witnesses, and found that the "quality of customer confusion testimony is high." JA-5202. The District Court expressly adopted the credibility determinations made by the Magistrate Judge. Appendix to Petition for Writ of Certiorari at A-71-72 n. 14.

C. The Fourth Circuit Properly Corrected Errors Of Law Which Led The District Court To Find Laches and Acquiescence

Contrary to Kayser-Roth's argument, Petition at 18-20, the Fourth Circuit did not simply second-guess the district court's factual findings relating to laches and acquiescence. Rather, the Fourth Circuit identified several dispositive respects in which the district court had misunderstood or misapplied the governing law of laches and acquiescence, errors which required reversal when applied to the undisputed facts of the case.

With respect to laches, the Fourth Circuit pointed out that the district court had failed to appreciate fully that a defense of laches must be based on knowledge by the plaintiff of a preexisting *infringing* use of a junior mark. 81 F.3d at 461-62. Kayser-Roth's *infringing* use of the Leg Looks® mark began in September, 1992, and Sara Lee brought these claims within days of learning of it. Notably absent from the district court's opinion is any finding that Kayser-Roth's pre-1992 use of Leg Looks® on envelope packages of fashion hosiery sold in department stores was infringing, or that it created any likelihood of confusion with Sara Lee's L'eggs® trademark. Kayser-Roth has pointed to no evidence in the entire record which might have supported such a finding. Indeed, the only finding on this issue in the district court was one made by the Magistrate Judge in his Recommendation:

> These envelope Leg Looks® packages when sold in department stores and off-price outlets, would likely never be confused with L'eggs® products.

JA-5096; *see also* JA-5093-94. Without a claim to pursue prior to 1992, Sara Lee can hardly be faulted for failing to pursue it.

The Fourth Circuit also noted that the district court "failed to consider the relative unavailability of [the laches] defense to preclude injunctive relief," which is the only relief sought in this proceeding. 81 F.3d at 461-62.

The Fourth Circuit obviously did not engage in any reweighing of the evidence; it simply corrected the district court's legal errors, as a result of which it became clear as a matter of law that the defense of laches did not lie.

These same legal errors justified reversal of the district court's finding of acquiescence. The Fourth Circuit correctly held that "a preexisting infringement is a prerequisite to" the acquiescence defense, just as it is to a laches defense, and that the public policy to avoid consumer confusion counsels against the acquiescence defense as much as it does against the laches defense when injunctive relief is at issue. 81 F.3d at 463.

It is obvious from the Fourth Circuit's opinion that if, as Kayser-Roth urges, that court was "convinced that it would have decided the case differently," Petition at 20, it was not as a result of any reweighing of the facts, but because the Fourth Circuit correctly applied the law, which the district court did not do.

CONCLUSION

Kayser-Roth has failed to articulate any respect in which the Fourth Circuit's opinion below is in error, let alone so substantially in error as to warrant the exercise of this Court's certiorari powers. Sara Lee respectfully requests that Kayser-Roth's Petition for Writ of Certiorari be denied.

Respectfully submitted this the 30th day of September, 1996.

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In The
Supreme Court of the United States

October Term 1995

KAYSER-ROTH CORPORATION,
Petitioner,

v.

SARA LEE CORPORATION,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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15 pp

LIST OF PARENT COMPANIES AND NON-WHOLLY OWNED SUBSIDIARIES

Petitioner Kayser-Roth Corporation is owned by Synchro S.A. de C.V. Kayser-Roth Corporation has an interest in KR-AK Realty LLC. This information remains unchanged from the disclosure in Kayser-Roth Corporation's Petition for Writ Certiorari.

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ARGUMENT

I. The decision of the Fourth Circuit conflicts with the decisions of the Second and Third Circuits regarding the protections afforded generic terms in trademarks.

The Second Circuit in *American Cyanamid Corp. v. Connaught Labs., Inc.*, 800 F.2d 306 (2d Cir. 1986), held that the determination of the existence of likelihood of confusion between marks containing generic components cannot be based on confusion arising from the generic terms. *Id.* at 308. The Third Circuit reached a similar result in *Dranoff-Perlstein Ass'n v. Sklar*, 967 F.2d 852 (3d Cir. 1992). The decision of the Fourth Circuit in this case conflicts with these decisions and holds that once a likelihood of confusion has been found, an injunction will issue, even when the confusion is caused solely from use of a generic term.

In this case, the district court, sitting as the trier of fact, looked to the only common element in the trademarks at issue and made a factual finding "that the word 'leg' is generic with respect to pantyhose." App. A-118. In reaching its decision, the district court properly set forth the law regarding generic marks, *see id.* at A-116-17, and found that "the word 'leg' . . . [met] all of these criteria with respect to pantyhose." *Id.* at A-117. This analysis is in accordance with the decisions in *American Cyanamid* ("hib" generic for hemophilus vaccine) and *Sklar* ("INJURY" generic for personal injury attorneys).

Sara Lee does not dispute the soundness of the decisions in *American Cyanamid* and *Sklar*. Instead, Sara Lee contends that the Fourth Circuit "simply ruled that 'leg' as applied to pantyhose is not a generic term." Brief of Respondent, p. 2. Sara Lee's contention is without merit.

The Fourth Circuit did not reverse the district court's finding that the word "leg" is generic with respect to pantyhose. In fact, the Fourth Circuit did not address the issue of the generic nature of the term "leg" at all, focusing instead only on Sara Lee's mark L'eggs®:

> We note simply that *L'eggs*® does not denominate a type or genus of goods, nor does it name a distinctive characteristic of pantyhose in general. . . . A different case would be presented if the mark at issue were "Pantyhose" or "Stockings" (type or genus), or "Nylon" (characteristic).
>
> * * *
>
> Of course, if *L'eggs*® were indeed a generic term, it could not be legally registered as a trademark.

App. A-18, n.12 (emphasis added).

The Fourth Circuit's singular focus on whether Sara Lee's L'eggs® mark was generic only highlights its error. The finding that the L'eggs® trademark is not generic does no more than provide trademark protection for that particular mark. It does not, as the Fourth Circuit erroneously holds, permit Sara Lee to use the mark offensively to prevent competitors from using the generic term "leg."

This holding is in direct conflict with the decisions of the Third Circuit in *Dranoff-Perlstein Ass'n v. Sklar*, 967 F.2d 852 (3d Cir. 1992), and the Second Circuit in *American Cyanamid Corp. v. Connaught Labs., Inc.*, 800 F.2d 306 (2d Cir. 1986). As these circuit courts have recognized, "any finding of infringement . . . must be based primarily on a likelihood of confusion between the [non-generic terms.]" *Sklar*, 967 F.2d at 861-62; *American*

Cyanamid Corp. v. Connaught Labs., Inc., 800 F.2d at 308 ("a trademark infringement finding thus cannot be based on the use of a generic or descriptive term").

The Fourth Circuit failed to address the non-generic portions of the marks in issue. Upon concluding that the mark L'eggs® was not generic, the Fourth Circuit proceeded to find facts on the existence of a likelihood of confusion, contrary to the factual findings of the district court, and ordered that an injunction be entered without further analysis. App. A- 24.

The Fourth Circuit's decision allows a trademark owner to prevent a competitor from using a generic term in naming its product. It does so based on a finding of likelihood of confusion emanating solely from a generic term. This is in conflict with the decisions of the Second and Third Circuits and presents a substantial question for review to be resolved by this Court.

II. The Fourth Circuit improperly limited the channels of distribution in which products bearing Kayser-Roth's incontestable trademark could be sold.

Kayser-Roth's LEG LOOKS® trademark is federally registered and incontestable, giving Kayser-Roth the right to use the mark in all channels of trade in which the goods for which it is registered may travel. The Fourth Circuit has improperly limited Kayser-Roth's rights to certain retail outlets in violation of its federal registration.

In support of the Fourth Circuit's decision, Sara Lee argues that Kayser-Roth's rights are subject to the exception to incontestability intended for geographically limited marks. *See* 3 McCarthy, *Trademarks and Unfair Competition* § 26.19 at 26-88 ("Thus, [through this exception] § 15 preserves, *in a limited area*, for a limited time frame, the common law rights of the senior user and

prevents those rights from being totally cut off by a junior user's incontestable registration.") (emphasis added).

It is Sara Lee's position -- although neither it nor the Patent and Trademark Office objected to Kayser-Roth's application for registration of LEG LOOKS® based on a likelihood of confusion with the L'eggs® mark and although Sara Lee did not challenge the mark or bring a petition to cancel it during its first five years of use -- that Kayser-Roth can never be certain of its rights to use its incontestable mark. According to Sara Lee, it could always challenge the use of LEG LOOKS® based on its preexisting state law rights. This position embodies a tortured interpretation of the Lanham Act statutory scheme and undermines the very purpose for incontestability, which is to quiet title in the ownership of a mark. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985).

Sara Lee's attempt to avoid the consequences of its long delay in challenging Kayser-Roth's use of its LEG LOOKS® mark through misuse of an exception to the incontestability afforded to the mark should not be permitted.[1] Sara Lee is not entitled at this late date to constrict the use of LEG LOOKS® to certain retail outlets.

III. The Fourth Circuit failed to follow this Court's decision in *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985), when reviewing the findings of fact of a district court sitting without a jury.

The Fourth Circuit undeniably engaged in independent fact-finding to reverse the decision of the

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[1] Sara Lee's assertion that Kayser-Roth has waived this issue for failure to raise it in the Fourth Circuit is specious. Kayser-Roth was the appellee in the court of appeals and, therefore, was not required to take issue with the lower court ruling in its favor.

district court. It did so in violation of this Court's teachings in *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985).

In an effort to rescue the Fourth Circuit from its improper excursion into the province of the district court, Sara Lee argues that in stating its "definite and firm conviction that a mistake has been made," App. A-24, the Fourth Circuit applied the correct standard of review to the findings of the district court. Brief of Respondent, p. 10. To support this contention, Sara Lee relies on two post-*Anderson* decisions in which this Court stated that a "clearly erroneous" finding involves a "definite and firm conviction that a mistake has been made." *See Concrete Pipe and Products v. Construction Laborers Pension Trust*, 508 U.S. 602 (1993); *Sawyer v. Whitley*, 505 U.S. 333 (1992).

Sara Lee's reliance on these decisions is misplaced. Neither *Concrete Pipe and Products* nor *Sawyer* involved review by this Court of the standard to be applied to factual findings of a district court sitting without a jury. Rather, *Concrete Pipe and Products* involved the factual findings of a plan sponsor under ERISA, while *Sawyer* involved review in a capital case. These cases did not address the application of the principles set forth in *Anderson*.

Moreover, the Fourth Circuit's mechanical recitation of a "definite and firm conviction that a mistake has been made" does not and should not insulate the court from review. The phrase is not an incantation that, once chanted, grants free passage into the realm of appellate fact-finding.

> This [definite and firm conviction] standard plainly does not entitle the reviewing court to reverse the finding of the trier of fact simply because it is convinced that it would have decided the case differently.

* * *

> In applying the clearly erroneous standard to the findings of a district court sitting without a jury, appellate courts must constantly have in mind that their function is not to decide factual issues *de novo*.

Anderson, 470 U.S. at 573. If all that were required of an appellate court is to invoke its definite and firm conviction that a mistake had been made, *Anderson* would not have been decided. *Anderson* requires more.

> If the district court's account of the evidence is plausible in light of the record viewed in its entirety, *the court of appeals may not reverse it*.

Anderson, 470 U.S. at 573 (emphasis added). This is so, "even if convinced that . . . it would have weighed the evidence differently." *Id.* at 574.

The Fourth Circuit failed to follow the requirements of appellate review articulated by this Court in *Anderson*. Instead, it relied on its pre-*Anderson* conduct of reviewing, *de novo*, factual findings with which it disagrees. The repeated failure of the Fourth Circuit to avoid engaging in appellate fact-finding in the face of a contrary decision from this Court warrants the exercise of this Court's supervisory powers.

A. The district court did not find a likelihood of confusion between the mark L'eggs® and the mark LEG LOOKS®.

The Fourth Circuit supplanted the district court's findings concerning a likelihood of confusion. Sara Lee defends this conduct by challenging the Court to

> scan the opinion of the district court . . . for any *explicit* finding that there is no likelihood of confusion between the two competing marks.

Brief of Respondent, p. 10 (emphasis added).

Sara Lee's challenge ignores the procedural requirements of this case. It is Sara Lee, as plaintiff, not Kayser-Roth, who bears the burden of proving the existence of a likelihood of confusion. The proper inquiry, therefore, is not whether the district court made an "explicit finding" of no likelihood of confusion between the two marks, but whether the district court made an explicit finding of the existence of a likelihood of confusion.

The district court made no such finding. Instead, the district court found the evidence of purported confusion *"de minimis,"* A-138, "as a whole minimal," A-145, "too unreliable to serve as a basis for inferring likelihood of confusion," A-146, and "not demonstrative of actual confusion among consumers." A-140. The district court's finding that confusion emanating from the generic term "leg" was not actionable in any event does not vitiate its findings that any evidence of a likelihood of confusion was at best *de minimis,* and therefore insufficient to satisfy Sara Lee's burden of proof.

The Fourth Circuit does not suggest that the district court applied an incorrect legal standard in reaching its

decision. The Fourth Circuit, however, simply believed that the district court "miscalculated" the evidence on the likelihood of confusion. *Id.* at 10. It then engaged in appellate court fact-finding, independently applying the factors to be considered in determining a likelihood of confusion. *See* App. A-19-23. This was error.

B. The Fourth Circuit ignored factual findings of the district court in reversing the holding that Sara Lee was estopped by laches and acquiescence.

The district court concluded that Sara Lee's claims were barred by the doctrines of laches and acquiescence. To properly address these defenses, the district court necessarily addressed the factual issue of the relevant market in which the competing goods were sold. Based on its review of the evidence, the district court determined that there was only one market for pantyhose, "the national retail pantyhose market." App. A-109.

The Fourth Circuit reversed the district court's determination that Sara Lee's claims were barred by laches and acquiescence. In doing so, it inexplicably ignores the district court's finding of a national retail pantyhose market. Focusing instead solely on the food, drug, and mass merchandising ("FDM") market, the Fourth Circuit "adjudge[d] [Sara Lee's] actions to have been entirely reasonable." App. A-11.

Sara Lee seeks to justify the Fourth Circuit's factual finding by claiming the district court committed an error of law. It is Sara Lee's position that the defenses of laches and acquiescence must be based on a pre-existing "infringing" use in the FDM market.

The district court found the distinction urged by Sara Lee between the FDM channels of distribution and the

channels of distribution in which Kayser-Roth used the LEG LOOKS® mark prior to 1992 artificial. The pre-1992 LEG LOOKS® pantyhose and L'eggs® pantyhose were considered competitive products *per se*. App. A-104. As the district court noted,

> [i]f the confusion between the mark L'eggs® and the mark LEG LOOKS® were as automatic and dramatic as [Sara Lee] claims, common differences in the display, ambience, or cost of retail goods in department stores and FDM stores would have been no guarantee against it.

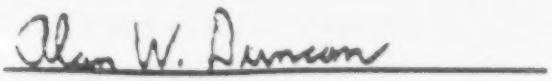
App. A-110-11. Thus, Sara Lee was entitled to bring an action from the moment the LEG LOOKS® trademark entered the marketplace, notwithstanding the differing channels of distribution alleged by Sara Lee. *Id.* at 104.

The Fourth Circuit's disregard of the factual findings on the relevant market was improper. Contrary to Sara Lee's contention, this disregard cannot be explained away as correcting errors of law of the district court.

CONCLUSION

For the reasons set forth in Kayser-Roth's Petition for Writ of Certiorari, and for the reasons set forth above, Kayser-Roth prays that this Court grant its Petition for Writ of Certiorari and reverse the judgment of the United States Court of Appeals for the Fourth Circuit.

This the 10th day of October, 1996.



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